The bill comes due
The price Denmark paid for a Yes vote
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Hungary's banks
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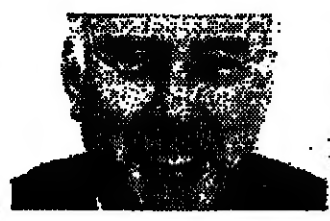

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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY MAY 20 1993

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Rise in US trade gap prompts fear of row with Japan

Fears of heightened US-Japanese trade tension grew after an unexpectedly sharp rise in the US trade deficit to $10.2bn in March, the biggest shortfall for nearly four years. More than half the deficit was with Japan.

The deterioration is likely to prompt a sharp downward revision of first quarter growth to an annual rate of 1.0-1.5 per cent against initial estimates of 1.8 per cent. Page 14; Clinton acts to head off revolt over cuts, Page 6

Deutsche Bank, Germany's biggest bank, saw total operating profits rise by "a good 20 per cent" in the first four months of 1993, but the chief executive said it was unrealistic to expect this to continue throughout the year. Page 15

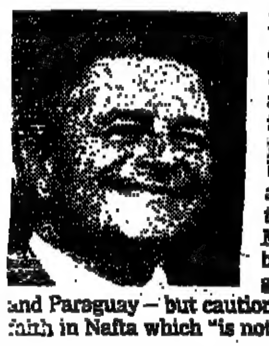
Russia pledges troops for Bosnia: Russia is understood to have pledged troops to monitor Bosnia's borders, which Serbia's president Slobodan Milosevic has promised to seal to deprive Bosnian Serbs of supplies. Page 3

Attali to sue for libel: Jacques Attali, president of the European Bank for Reconstruction and Development, said he would sue for libel over accusations of plagiarism and inaccuracy in his new book about President Mitterrand. Page 3

Kohl urges spending cuts: Chancellor Helmut Kohl demanded sharp public spending cuts as the Bundesbank warned that government policies were partly responsible for last month's surge in money supply growth. Page 2

Head of Siemens in Italy arrested: Giorgio Scanavaca, chairman and chief executive of the Italian subsidiary of Siemens, German electronics group, was arrested in Milan on corruption charges, apparently in connection with an inquiry into the attempts to obtain telecoms contracts. Page 14

Uruguay urges regional free trade blocs:



Latin American countries should concentrate on regional trade groupings rather than pursue a continent-wide free trade zone, Uruguayan president Luis Alberto Lacalle (left) said in an interview with the FT. He praised Mercosur – a trade bloc made up of Uruguay, Argentina, Brazil and Paraguay – but cautioned against excessive faith in Nafta which "is not a reality yet". Page 7

Bass, UK brewing and hotels group, reported a 14 per cent drop in first half pre-tax profits to £228m ($351m) as Holiday Inns were hit by recession and the UK brewing business increased bad debt provisions. Page 15

Stock speculator sentenced: Japanese stock speculator Mitsuhiro Kotani was given an 18-month suspended jail sentence for what a Tokyo court described as "naked manipulation" of stock prices. Page 4

Chemical Banking has received permission from the Federal Reserve to underwrite and sell corporate bonds through its securities arm, becoming the fifth leading US commercial bank to be granted debt underwriting powers. Page 17

Strong franc hits exporters: Economic recession and the strong franc have made an increasing number of the clients of French exporters unable to pay their bills. Page 7

GTE, largest local US telephone company, plans to sell around 500,000 access lines in nine states to Citizens Utilities, a diversified utilities group based in Connecticut, for $1.1bn cash. Page 17

Compass Group, UK healthcare and catering company, is to move into continental Europe through the acquisition of the airport restaurant and contract catering business of SAS Service Partner for £71.9m ($110m). Page 15

Guatemalan violations: Political killings are continuing in Guatemala, despite the civilian government's pledge to end them, Amnesty International says. Page 6

Horrigan joins Liggett: Edward Horrigan, who headed the tobacco business at RJR Nabisco, is re-entering the cigarette industry as chairman and chief executive of Liggett Group. Page 17

Belgian privatisation battle: Fortis, Dutch-Belgian financial services group, and Belgian bank Générale de Banque are to battle for a stake in a Belgian state-owned savings bank in the first round of a four-year BFr70bn ($2bn) privatisation programme. Page 15

■ STOCK MARKET INDICES

FT-SE 100:	2819.7	(-27.6)
Yield	4.04	
FT-SE Eurotrack 100	1147.97	(-5.01)
FT-A All-Share	1393.51	(-0.7%)
Nikkei	20,380.79	(+151.40)
New York lunchtime:		
Dow Jones Ind Ave	3434.98	(-9.41)
S&P Composite	439.41	(-0.91)

■ US LUNCHTIME RATES

Federal Funds:	2⅞%	
3-mo Treas Bills: Yld	3.034%	
Long Bond	101⅜	
Yield	7.016%	

■ LONDON MONEY

3-mo Interbank	6 1/16%	(6⅛%)
Liffe long gilt future:	Jun 104 11/32	(Jun 103 15/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.31	(18.35)

■ Gold

New York Comex (June)	$374.2	(376.0)
London	$377.15	(370.25)

■ STERLING

New York lunchtime:		
$	1.537	
London:		
$	1.5415	(1.5315)
DM	2.5025	(2.4875)
FFr	8.44	(8.3925)
SFr	2.2725	(2.265)
Y	170.25	(170.75)
£ Index	80.5	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.6285	
FFr	5.4745	
SFr	1.47905	
Y	111.0	
London:		
DM	1.6235	(1.624)
FFr	5.475	(5.48)
SFr	1.4745	(1.479)
Y	111.5	(111.55)
$ Index	64.3	(64.5)

Tokyo close Y 111.56

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr18.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Fringe group blamed for riot ■ growth package to boost economy

Danish tax rates cut as reward for treaty vote

By Hugh Carnegy and Hilary Barnes in Copenhagen and Lionel Barber in Brussels

THE DANISH government yesterday brushed aside violent demonstrations sparked by Tuesday's referendum result endorsing the European Community's Maastricht treaty, and as a reward for the Yes vote announced a programme to stimulate economic growth and employment.

The riots in an inner city district of Copenhagen left 11 demonstrators wounded by police gunfire and 26 policemen injured. They were said by officials to have been the worst peacetime disturbances in Denmark. The government blamed a small fringe group of militant squatters.

Yesterday, the area returned quickly to normal, but local residents were braced in case of further disturbances last night. The government insisted the attacks did not represent the feelings of the vast majority of No voters.

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- ■ EC must now make Maastricht treaty work
- ■ Tensions ease in exchange rate mechanism
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Mr Poul Nyrup Rasmussen, the Social Democratic prime minister, condemned the riots as an isolated incident and told parliament the government would slash marginal income tax rates to bring them closer into line with the rest of the EC. State investment plans to push up growth in gross domestic product from under 1 per cent this year to almost 3.5 per cent in 1994 would also be brought forward.

At the same time, Denmark's central bank cut the official discount rate to 8.25 per cent from 9.25 per cent and commercial banks announced similar reductions in their lending and deposit rates, which had been held artificially high because of uncertainty over the Maastricht vote.

Business reaction was positive. The Copenhagen stock market, which had risen strongly in expectation of a Yes vote, put on a further 2.30 points to close at 303.89.

The tax cuts are aimed at galvanising other EC member states to rally behind a beefed-up economic growth package ahead of next month's EC summit in Copenhagen.

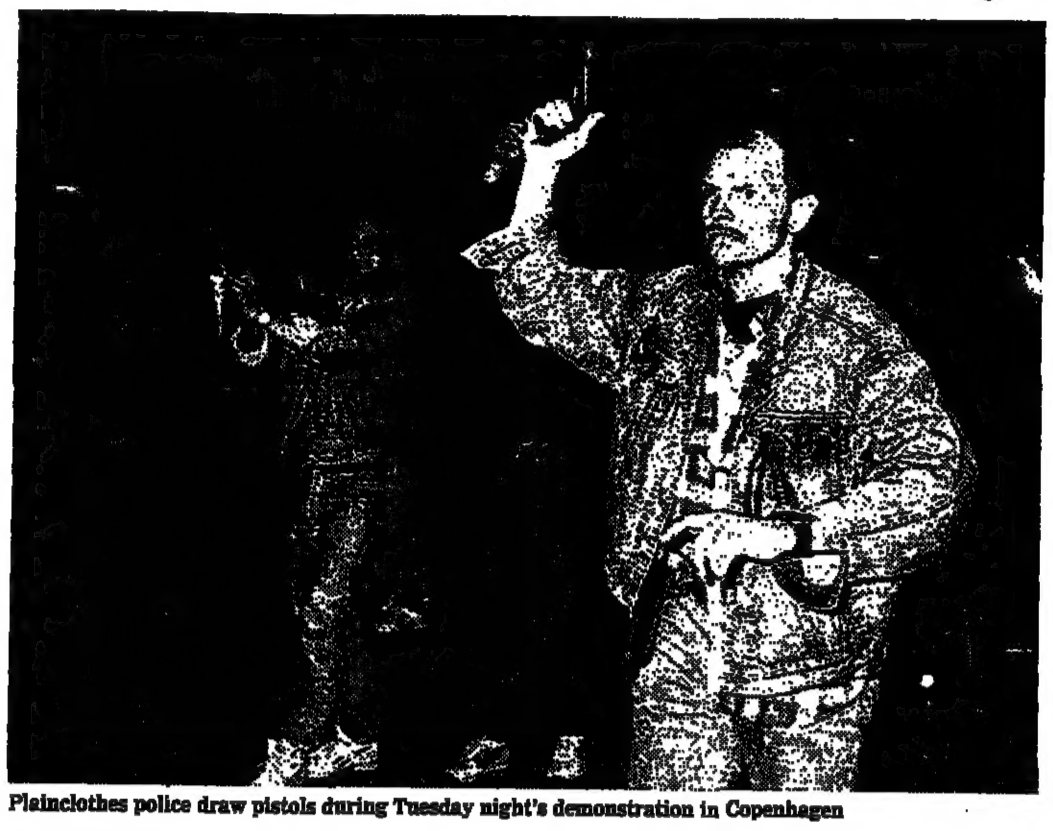
The Danish presidency of the EC, working with the European Commission, wants member states to consider fresh measures to stimulate growth, mainly through shifting to capital spending, making the labour market more flexible, and other fiscal incentives to create jobs.

The growth package and the unemployment crisis in the EC are top of the agenda at a two-day meeting of EC finance ministers in Kolding, Denmark, which starts tomorrow.

In Brussels yesterday, Commission officials hailed the Danish endorsement of the Maastricht treaty in Tuesday's second referendum as giving a "psychological lift" to the Community after several months of drift.

The positive vote has given new impetus to the Danish presidency. Danish officials vowed to press for agreement on issues such as a new trade liberalisation

Continued on Page 14



Plainclothes police draw pistols during Tuesday night's demonstration in Copenhagen

Squatters see EC as capitalist conspiracy

By Hugh Carnegy in Copenhagen

FINANCIAL journalists were not very welcome at the "youth house" in Copenhagen's Norrebro district yesterday morning, after the violent clashes sparked by Denmark's Yes vote in the Maastricht referendum on Tuesday left 11 young demonstrators with gunshot wounds and 26 policemen injured by bricks.

"You and your businessmen, you are the ones that are pushing us down," snarled a bearded man sitting on the doorstep of the collective meeting place, drinking from a bottle of beer. "You are just like the police," added an angry young woman seated close by.

The typically black-clad, unkempt and unemployed youths that make up the loose movement known in Denmark as BZers, or squatters, were said by the police to have instigated the post-referendum riot.

No longer simply homeless occupiers of empty inner-city buildings, they are better defined these days by their anti-business, anti-fascist and anti-establishment views that see the European Community at the pinnacle of a capitalist conspiracy to deny democracy to the masses.

The main target of the rioters – apart from the police – were a number of bank branches in Nor

Continued on Page 14

Saarstahl failure blamed on EC policy

By Ariane Genillard in Saarbrücken and Quentin Peel in Bonn

LEADERS of the German steel industry expressed indignation and bitterness yesterday at the failure of European steel restructuring policies, in the wake of the collapse of Saarstahl, the French-owned steelmaker in the depressed German Saarland.

Thyssen, Germany's largest steel manufacturer, condemned the policy of allowing continuing state subsidies to ailing producers, and said the rest of the industry would be threatened if they were allowed to restructure their debts.

The steel manufacturers' federation lashed out at the failure of the European Community to curb production at Italy's state-owned Ilva and at CSI in Spain, where the companies' debt burdens far exceed those of Germany's private sector producers. The industry condemned the policy of interfering in free market competition to protect the weakest manufacturers.

The anger of industry leaders was matched by the bitterness of workers at the Saarstahl plant, who blamed Brussels, above all, for the loss of their jobs.

Saarstahl filed for bankruptcy on Tuesday night after France's Usinor-Sacilor, which owns 70 per cent of the holding company, decided it could no longer transfer funds to cover estimated losses running at DM30m ($18.6m) a month.

Hopes for an immediate rescue faded as both federal and Saarland authorities said no new subsidies were available. Since Saarstahl first ran into difficulties in 1978, it has received some DM3.7bn in direct subsidies, soft loans and credit guarantees.

"We are the victims of the European Community's inability to devise a coherent steel policy," said Mr Werner Fries, an official of the works council at the plan, which employs 7,200 people. "We hope the European Commission

Continued on Page 14

Agreement would help open up German utilities to overseas competition

Anglo-US group in E German energy deal

By Judy Dempsey in Berlin

A UTILITIES consortium headed by Britain's PowerGen and the US-based NRG, are close to completing a contract which will give them a 44 per cent share in generating power in Schkopau, eastern Germany.

If completed, the deal could help to open up Germany's utilities to outside competition, officials from Vereinigte Energie AG (Veag), the east German utilities company, said yesterday.

The contract involves PowerGen and NRG building a 400MW power station at Schkopau, near Leipzig.

Until recently, Veba Kraftwerke Ruhr (VKR) had planned to build a 900MW station at Schkopau. VKR is a 100 per cent subsidiary of PreussenElektra, which undertakes the electricity operations of Veba, the German energy-based conglomerate.

The decision to allow PowerGen and NRG to negotiate a 44 per cent share at Schkopau follows lengthy negotiations between the Treuhand, the agency responsible for the privatisation of eastern German industry, Veag, which controls 70 per cent of the region's energy production, and VKR.

Veag is technically still under the Treuhand, but legally it is controlled by Germany's three giant utilities companies, and the five smaller ones, following a treaty signed in 1990. These include PreussenElektra, RWE Energie and Bayernwerk, western Germany's powerful utilities.

Under the terms of the treaty, the Stromvertrag, eastern Germany's regional utilities are obliged to buy 70 per cent of their power from Veag over the next 20 years as a means of underwriting large investments needed to modernise eastern Germany's energy sector. This treaty, however, has had the effect of making it difficult to introduce competition into the energy sector in the region.

The consortium had earlier tried to seek a stake in generating power at Lippendorf. But the negotiations collapsed because PowerGen and NRG could not seek guarantees to gain access to the high voltage grid in order to sell its energy. The grid is controlled by Veag.

The power generators at Schkopau will be fuelled by Mibrag, eastern Germany's giant lignite mining complex. PowerGen and NRG have the sole negotiating rights to buy Mibrag, which is under the Treuhand.

It is increasingly likely that the Anglo-American consortium will continue its efforts to seek access to other power generating opportunities in eastern Germany once the Schkopau and Mibrag deals are completed.

Modern methods in the pipeline, Page 10

Technical insolvency at top Hungarian commercial banks

By Nicholas Denton in Budapest

HUNGARY'S two largest commercial banks are technically insolvent and require big injections of capital, according to a World Bank paper.

The two banks, both state-owned, are Magyar Hitel Bank, heavily exposed to Hungary's troubled engineering industry, and Kereskedelmi Bank, main lender to the country's drought-stricken farms.

They have inherited debts from the Communist period, and have suffered from bad debts caused by the three-year Hungarian recession and a collapse in industry's sales to former Comecon countries.

Magyar Hitel Bank has Ft34.6bn ($390m) of loans classified as bad, doubtful or sub-standard, according to the study. Taking those loans into account, the bank has negative capital of Ft19bn, equivalent to 7.9 per cent of its risk-weighted assets. Kereskedelmi Bank has Ft26.3bn in classified loans, with negative capital of Ft13.7bn, 8.5 per cent of assets.

The report, a World Bank internal aide-memoire obtained by the Financial Times, says: "At present, most of the banks are technically insolvent according to internationally accepted accounting standards."

An infusion of Ft100bn ($1.1bn) of new capital is required to bring the banking sector's capital up to 4 per cent of lending, the target the World Bank recommends. Half the new capital is needed for the two big banks.

The plight of the banks came as little surprise to Budapest's close-knit financial community, which believes the two banks are "too big to fail" and will be rescued by the authorities.

Mr Gyorgy Suranyi, managing director of Central-European International Bank, said: "A bank which enjoys the umbrella of the state cannot fail."

Mr Istvan Szalkai, president of Hitel Bank, expected little market reaction, saying that the money market had already discounted the bank's loan losses by reducing credit limits.

Central bankers at the National Bank of Hungary professed confidence that depositors, knowing the banks were liquid and would be recapitalised, would not panic.

Under Hungarian accounting principles, less conservative than the World Bank's, the two banks still have positive capital.

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Denmark's approval of Maastricht presents dual challenge for Community

EC must now make the treaty work

By Lionel Barber in Brussels

NOW comes the hard part. After the decisive Danish Yes to the Maastricht treaty, the EC faces a dual challenge: to recapture public support for European integration and to make the much-abused treaty work.

Ever since Danish voters rejected the Maastricht treaty last June, the EC has been trapped in what Mr Jacques Delors, European Commission president, calls a period of depression and inaction – a reflection of his own state of mind as much as the mood in the Brussels bureaucracy.

But on Tuesday night, as the first exit polls showed a resounding Yes, European commissioners came bounding into the underground press room in the Bredel headquarters. For the first time in months the made-for-TV smiles looked genuine. "We can breathe again," said one EC ambassador.

The Danish endorsement of Maastricht will most likely hasten ratification in the UK, the lone treaty hold-out; more important, it builds on the Edinburgh summit last December when the UK presidency engineered a series of deals on the EC budget and enlargement which gave the Community a more secure framework for its development to the year 2000.

The billion Ecu question is whether this framework will be of the loose variety favoured by Britain and the Danes, or whether federalist forces in Belgium, the Netherlands and the Commission will try to force the pace toward closer political and monetary integration.

The Danish vote does not provide an answer, because it does not represent a true test of public support for European union. The version of Maastricht which Denmark approved on Tuesday contains legally-binding opt-outs on core elements of the treaty, including the single European currency, EC citizenship, and defence policy.

Yet in the short-run, the special Danish deal may not matter. The battle to ratify Maastricht has come to resemble a religious war; now is the time, says one senior EC official, to focus on "real" issues such as rising unemployment, low investment, monetary stability as well as the political and economic integration of eastern Europe.

The first test of whether the Community has put an end to its introspection will be the EC summit in Copenhagen on June 21-22. Leaders will be asked to approve a bolder-than-expected Commission paper proposing accelerated trade liberalisation with Poland, Hungary, the Czech and Slovak republics, Bulgaria and Romania.

Failure to reach agreement would not only be a slap in the face for the emerging democracies in eastern Europe; it would signal growing support for protectionism in France, Spain and Portugal and would bode ill for efforts to reach agreement on a far-reaching market access package in the Gatt Uruguay Round talks at the Group of Seven summit in Tokyo in July.

The second summit test is whether member states can restore growth to their economies, reversing the rise in unemployment which will top 17.5m in the EC this year.

The Danish presidency and Mr Delors are pushing hard for a strengthened growth package, with member states shifting more resources into capital spending. But severe constraints remain, because of the Maastricht "convergence criteria" covering targets for inflation, budget deficits and government debt which member states must meet in order to qualify for monetary union.

At present, only Luxembourg qualifies on all three grounds. But when Mr Philippe Maystadt, Belgian finance minister, said last weekend that member states should soften the convergence targets if recession continued into next year, he received no audible support.

In Brussels yesterday, Mr Wilfried Martens, former Belgian prime minister and president of the powerful Christian Democrat group of parties in Europe, disowned his Belgian colleague. "If we modify the criteria we would be taking a large political and economic risk," he said.

For the UK, which was forced out of the European exchange rate mechanism (ERM) along with Italy last September, these divisions appear to confirm what ministers concluded at the 1991 Maastricht summit: that the third phase of monetary union was not, and never would be, feasible.

Mr Douglas Hurd, UK foreign secretary, went a step further recently. "With the Community bound together by shared interests," he said, "there must be room for flexibility provided the core remains intact. I am not talking here about a two-speed Europe, but of a Community which responds more flexibly to the increased diversity of its members."

This comes close to a Europe *à la carte;* but as a recent Royal Institute of International Affairs paper points out, the EC is already moving towards "an uncertain pattern of co-operation in different groups on particular policy areas".

Maastricht ratification: high noon for Britain

Rasmussen is quick to reward voters

Hugh Carnegy and **Hilary Barnes** on the Danish government's rapid attempt to demonstrate benefit of EC membership

THE VIOLENT riots which erupted in Copenhagen after Tuesday's vote in favour of the Maastricht treaty came as a profound shock to the government, which had hoped the result would allow political life to return to its normal calm.

The shock was all the greater because such explosions are rare in Denmark, where the political culture is based on consensus and the distance between extremes is small. Mr Poul Nyrup Rasmussen, prime minister and leader of the Social Democratic party, was yesterday at pains to emphasise that the rioters represented a tiny minority and did not reflect the feelings of the vast majority of No voters.

Nevertheless, the riots reflect a society which has experienced an unusually divisive debate over the past 18 months, with the electorate being cajoled into reversing its June rejection of the treaty.

This was acknowledged yesterday by Mr Rasmussen, who moved quickly to deliver tangible benefits to the people in the form of an economic policy programme for growth and employment which was presented as having been made possible by the Yes vote.

Throughout the referendum campaign Mr Rasmussen recognised that a gap had grown up between politicians and electorate and said that European Community membership had to be seen to deliver benefits to people in their daily lives, in Denmark as well as the rest of Europe.

He described the economic measures as "an offensive against unemployment", currently running at 12 per cent. The government predicted they would bring the level down to about 11 per cent next year. "We are going to break the curve of rising unemployment," said Mr Rasmussen.

The core of the programme is a reform of the income tax system, which will substantially reduce the country's very high marginal rates. The reductions will be financed by "green" taxes on petrol, electricity, heat and water consumption. They will lead initially to a loss of revenue, but there will be a substantial boost to domestic demand next year.

Forecasts by the Finance Ministry point to a surge in the growth rate of gross domestic product from about 1 per cent this year to 3.1 per cent in 1994, with private consumption next year rising by 4.3 per cent in real terms.

According to Mr Rasmussen, Denmark's large surplus on the current account of the balance of payments, low inflation rate and relatively strong government finances mean that the country can afford these measures. However, the Danish government, which currently holds the presidency of the Community, is emphasising that the EC as a whole must adopt a co-ordinated pragmatic policy for economic recovery. It will be pushing hard for this at next month's Copenhagen summit.

But when it comes to the Community's more ambitious long-term plans for economic and political union, enshrined in Maastricht, Denmark's approach will be severely constrained by the painful experience of the two referendums. Future government's will not be allowed to depart from the provisions of the Edinburgh opt-outs agreement, which exempted Denmark from participation in the common currency, defence co-operation, legal and police co-operation and common citizenship.

Denmark's strong economy makes it a natural candidate for participating in the third and final stage of European monetary union, a move which is supported by the business community. But Mr Rasmussen said this week that the government would stick by the Edinburgh opt-out on the common currency: "That is the position of this government," he said.

The right-wing Liberal party, led by Mr Uffe Ellemann-Jensen, foreign minister for more than 10 years until last January, has already espoused the cause of dropping the Edinburgh opt-outs at a later date. Like all the other political parties, though, it has promised to submit any changes in the Edinburgh deal to further plebiscites.

The provocative Mr Ellemann-Jensen's cause has found few supporters. After a long and divisive debate on the Maastricht issue, most politicians want to see a restoration of national consensus on the European issue.

This may not be as difficult as might be imagined. Tuesday night's riots notwithstanding, the debate has generally been conducted in a friendly spirit.

The riots, said Mr Niels Helveg Petersen, foreign minister, "are in no way an expression of what the majority of No voters feel. We are not a deeply divided society. We have had a referendum and therefore there have been differences of opinion, but the differences will disappear again from today."

Tensions ease in exchange rate mechanism

By James Blitz, Economics Staff

DENMARK'S ratification of the Maastricht treaty continued to ease tensions inside the European exchange rate mechanism (ERM) yesterday, allowing several countries to cut interest rates and leading to more investment in currencies and bonds outside the D-Mark bloc.

The central banks of Denmark, Portugal and Sweden, all of which had followed tight monetary policy to maintain their exchange rates against the D-Mark, cut their official short-term interest rates yesterday.

Inside the ERM, Denmark reduced its discount rate by 1 percentage point to 8.25 per cent, while Portugal took 2 points off its "mop up" rate, reducing it to 13 per cent.

Sweden's central bank reduced its overnight lending rate by ¼ of a percentage point to 8.75 per cent, its fourth successive cut of a quarter point in the past month.

The Danish vote also compounded the outflow of funds from the D-Mark into the dollar and European currencies, as dealers took the view that monetary union was back on track.

Sterling and the Italian lira both appreciated against the German currency yesterday, despite the Bundesbank's decision not to reduce its official interest rates at its fortnightly council meeting.

The German currency also fell to an historic low against the Japanese yen, hitting Y68.05.

The yields on Italian, Swedish and Norwegian government bonds have also fallen recently at the expense of German bonds.

Their yields were yesterday about 20 to 30 basis points lower than a week ago.

Green light for expansion talks

David Gardner on the prospects for Community of 16

DENMARK'S Yes to Maastricht means talks will go ahead on EC membership by 1995 for Sweden, Finland and Norway and Austria. However, it is by no means a foregone conclusion that the citizens of all four applicants will want to join.

Opinion polls indicate that probably none of them could muster a majority for entry at present – and all of them will hold a referendum before deciding.

The four governments are looking to the Danish outcome to lift waning enthusiasm about membership. As Mrs Gro Harlem Brundtland, Norway's prime minister, underlined last month, "the Danish No [of last June] broke an upward trend for unification all over Europe". A Yes now, she said, was a vital precondition to turn that trend around.

All applicants except Finland need big turnarounds, and all need perceived victories for often uncompromising demands. Moreover, it has been made clear that they must accept not only existing EC legislation, but the full Maastricht treaty. Opt-outs of the type conceded to Denmark and Britain are only for existing members of the club.

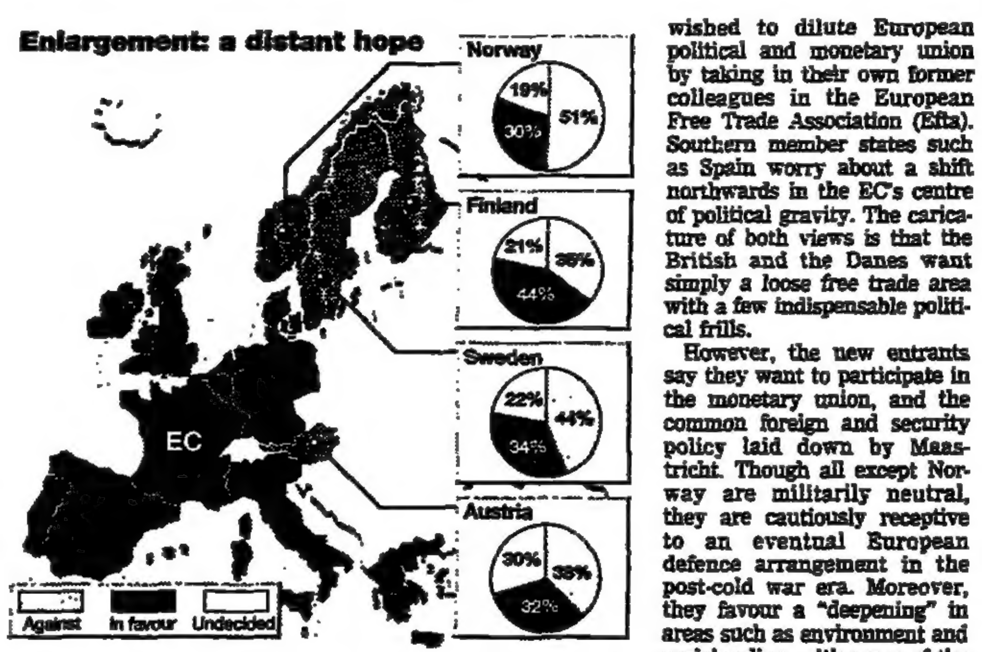
As Mr Hans van den Broek, commissioner in charge of the negotiations, made clear on Tuesday night as the Danish results came in: "If the outcome. . . . had been No, there would have been no Maastricht treaty and no basis on which to conduct the enlargement negotiations." This rigid posture is the official policy of all 12 existing member states; not even the UK has demurred.

Getting the negotiations started before ratification of Maastricht was a feat in itself. The original, federalist-minded six member states suspected that semi-detached late-joiners such as Britain and Denmark wished to dilute European political and monetary union by taking in their own former colleagues in the European Free Trade Association (Efta). Southern member states such as Spain worry about a shift northwards in the EC's centre of political gravity. The caricature of both views is that the British and the Danes want simply a loose free trade area with a few indispensable political frills.

However, the new entrants say they want to participate in the monetary union, and the common foreign and security policy laid down by Maastricht. Though all except Norway are militarily neutral, they are cautiously receptive to an eventual European defence arrangement in the post-cold war era. Moreover, they favour a "deepening" in areas such as environment and social policy, with more of the majority voting which Britain sees as eroding sovereignty.

With negotiations at an early stage, it is not clear whether the applicants can get satisfaction. Even less clear is whether federalists like the Benelux countries will insist that decision-making procedures designed for six members, already creaking with 12, must be reformed before the EC expands to 16 and more.

Enlargement: a distant hope



Kohl demands harsh public spending cuts

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday demanded harsh cuts in public spending as the Bundesbank warned that his government's policies were partly to blame for an unexpected surge in money supply growth last month.

Mr Kohl told a cabinet meeting that every department had to make economies. They had to be found and negotiated within a few weeks, in time for inclusion in the 1994 draft budget, to be finalised on July 13.

His warning coincided with the release of central bank figures showing growth in the M3 measure of money supply had shot though the bank's upper target level of 6.5 per cent during April, despite a significant slowdown in bank lending.

M3, regarded as a key indicator of future inflation, expanded at an annualised adjusted rate of 7.3 per cent, after trailing well below the lower target level of 4.5 per cent during the previous three months.

In a pointed commentary on the figures, the Bundesbank said a large proportion of its DM13bn (£5.2bn) profits for 1992 – credited to Bonn during the month – had already gone into circulation. "As a result public sector cash transactions have given monetary developments a renewed push".

The provisional figures, released during a meeting of the Bundesbank's policy-making council which elected to leave key discount and lombard interest rates unchanged, underline the government's difficulties in meeting Bundesbank demands for spending restraint.

Recession is biting into state revenues and forcing up welfare and unemployment payments. The need for renewed efforts to prune public sector spending stems from a forecast shortfall in tax revenues of DM25.8bn next year and a total of more than DM100bn for the period up to 1996.

One encouraging sign in the figures was a marked deceleration in the rate of bank credit growth, a major influence on M3. Lending to enterprises and individuals in April rose DM13.3bn after an increase of DM30bn in March.

Credit expansion in the six months to the end of April had grown at an annualised rate of just over 8 per cent compared with almost 9 per cent in the period to the end of March.

Meanwhile, monetary capital formation, the transfer of funds into longer-term deposits and instruments not included in M3, had weakened and rose only DM2.9bn after a DM13bn increase in March.

E Germans begin return to work

By Judy Dempsey in Berlin

STRIKING east German metal and electrical workers began returning to work yesterday after accepting last Friday's so-called Saxony compromise postponing by two years equalisation of wages in the two parts of the country.

However, IG Metall, the powerful engineering union, is insisting the strikes will continue unless wages for the steel sector match those in the metal and electrical industries.

Union officials in Berlin-Brandenburg, where most of the steel sector is located, said the agreement widens the income differentials between steel and metal workers. Over 7,000 steel workers have been on strike for the past 16 days.

SPD urges jail terms for insider dealing in shares

By Quentin Peel in Bonn and David Waller in Frankfurt

GERMANY'S opposition Social Democrats yesterday called for statutory jail sentences to deter insider dealing in shares, as Mr Franz Steinkühler, leader of the country's most powerful union, struggled to contain calls for his resignation from his own rank and file.

The leader of the IG Metall engineering union has denied insider dealing, but admits speculating in almost DM1m (£400,000) worth of shares in MAH, a Daimler-Benz holding company.

He is on the Daimler supervisory board, which decided to dissolve MAH and exchange its shares for full Daimler shares on April 2 – causing a 20 per cent jump in the MAH share price. Mr Steinkühler admits to making a profit of DM64,000.

The affair threatened further ramifications yesterday when Mr Hilmar Kopper, chief executive of Deutsche Bank and chairman of the Daimler supervisory board, came under strong attack from shareholders at his bank's annual meeting for the way the decision to dissolve MAH was announced.

Daimler made the announcement at 4 pm on April 2, well after the close of floor trading on German stock exchanges. However, it prompted a sharp rise in the MAH share price in trading conducted over the IBIS electronic dealing system.

Meanwhile, BfG Bank, the former trade union bank that carried out Mr Steinkühler's share purchases, is investigating how information had been leaked to the press.

Pressure for legislation to control insider dealing – not an offence in Germany – was fuelled by Mr Uwe Jens, SPD economics spokesman. He called for a law based on US legislation, which provides for up to two years in prison. "It needs a jail sentence to provide an adequate deterrent."

Although he refused to comment on the Steinkühler case, other members of the SPD have joined calls for him to quit, as have rank-and-file members of IG Metall.

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Russia offers troops for Bosnia's borders

By Robert Mauthner, Diplomatic Editor

RUSSIA has given a pledge to the international mediators on the Yugoslav crisis that it will provide troops to monitor Bosnia's borders, officials close to the peace conference said in Geneva yesterday.

The officials said the undertaking was given over the telephone by Mr Andrei Kozyrev, the Russian foreign minister, in Rome to meet European foreign and defence ministers attending a meeting of the Western European Union defence organisation.

The number of troops to be provided by Russia has not been specified but is understood to be relatively small. The mediators, Lord Owen and Mr Thorvald Stoltenberg, were due to fly from Naples to Ukraine and Belarus yesterday to ask for similar pledges from these two countries.

Lord Owen and Mr Stoltenberg, who want to start implementing their peace plan for Bosnia, in spite of its rejection by the Bosnian Serbs, are pressing members of the UN Security Council to commit troops for this purpose. Monitoring the Bosnian borders, which President Slobodan Milosevic of Serbia has undertaken to seal in an effort to deprive the Bosnian Serbs of much-needed supplies, is part of the overall strategy to force the latter to accept a settlement of the conflict.

Both Mr Kozyrev and Lord Owen said Tuesday's truce agreement between the warring Bosnian Moslems and Croats, formerly allies in the struggle against Serb domination, was a first sign that the peace plan could start to be implemented at least partially.

The US, however, has made it clear that it does not consider it realistic to implement the plan as long as it has not been accepted by all parties to the conflict and has stressed that it will not contribute ground troops to an international peace-keeping operation until the fighting has stopped.

The continuing disagreement between the major powers on what action to take following the rejection of the Vance-Owen plan by the Bosnian Serbs led to Washington's refusal to attend a special Security Council meeting at foreign minister level, which Mr Kozyrev proposed for Friday to discuss Bosnian policy.

However, both Mr Kozyrev and Mr Warren Christopher, US secretary of state, have played down reports of a serious rift between their two countries or between the US and its European allies.

Mr Kozyrev, as well as Mr Douglas Hurd, British foreign secretary, and their French opposite number, Mr Alain Juppé, are due to meet Mr Christopher in Washington at the end of this week.

Mr Christopher said yesterday he was sure he would find some common ground on Bosnia in his talks with the three foreign ministers.

Bosnian Serbs voted by 96 per cent to reject the Vance-Owen peace plan for Bosnia in a referendum last weekend, dismissed as irrelevant by the international community because of the conditions in which it was held.

After the result, Mr Radovan Karadzic, Bosnian Serb leader, said his people would never give up their self-proclaimed Bosnian Serb republic, though they would be ready to accept a confederation with separate Croat and Moslem states within Bosnia-Hercegovina.

United Nations human rights investigator, Mr Tadeusz Mazowiecki, said yesterday that the Vance-Owen plan to partition Bosnia had accelerated ethnic cleansing, Reuter reports from Geneva.

The former Polish prime minister said the west's failure to halt human rights violations by Bosnian Serbs had created a "precedent of impunity" that had encouraged Bosnian Croats to commit similar crimes. He criticised "the lack of an international response" to counter the policy of ethnic cleansing.

Last Tsar is first icon of latest revolution

A Russian teacher distributing to her pupils portraits of the last Tsar Nicholas II, to mark yesterday's 125th anniversary of his birth

Attali to sue over plagiarism claim

By David Buchan in Paris and Reuter

MR Jacques Attali, president of the European Bank for Reconstruction and Development (EBRD), said yesterday he would sue for libel over accusations of plagiarism and inaccuracy in his new book about the early Mitterrand years.

Mr Attali said yesterday he would sue the weekly magazine, Le Nouvel Observateur, for alleging that his new 960-page book, Verbatim, recording Mr François Mitterrand's time at the Elysée between 1981 and 1986, had plagiarised conversations which the president had had with Mr Elie Wiesel, the Nobel Peace prize-winning American author.

Mr Attali told a radio station that "at my initiative, the president had some conversations with Elie Wiesel which were broken off and were never the subject of a contract with any publisher or of any written work".

"The two men are no longer under any obligation to each other. The president authorised me to use what he had said in my book, and Elie Wiesel told me he intended to do the same in his own memoirs," Mr Attali, who was President Mitterrand's closest aide during the 1980s, said yesterday.

Le Nouvel Observateur said last night it had not yet received any legal writ from Mr Attali or his lawyer. Mrs Odile Jacob, a leading French publisher, had intended to publish the conversations as a book later this year. Mr Attali said the president had proof-read Verbatim line by line.

Mr Attali has been under fire recently over the amount spent on fitting out the EBRD headquarters in London. The international governors' board of the EBRD has ordered an audit into the spending.

French police to get wider powers

By David Buchan in Paris

FRENCH police will have a freer hand to make spot security checks under a draft law which the cabinet of Prime Minister Edouard Balladur approved yesterday for submission to parliament.

The measure will relieve police of their current need to prove that an individual was behaving suspiciously before checking his identity card, and forms part of the centre-right government's electoral pledge to improve law and order in French cities.

Mr Nicolas Sarkozy, the government spokesman, denied this constituted any threat to civil liberties which, he said, in reality came from "insecurity on the streets". President François Mitterrand who, under the bizarre cohabitation system presides over the formal cabinet meetings of his political opponents, was said to have acquiesced because the draft law provides for possible judicial review of such street searches.

Nonetheless, civil rights groups have complained that young people and immigrants will inevitably be the target of freer police checks.

Last week the National Assembly endorsed a move – which had started in the Senate when the Socialists were still in power – to make the offer of French nationality to immigrants less generous. The new nationality law removes the automatic right of children born in France of immigrant parents to acquire a French passport.

Italy's bribes scandal has multinational air

By Haig Simonian in Milan

THE arrest of Mr Giorgio Scanavaca, managing director of the Italian subsidiary of Siemens, the German industrial group, casts a further shadow over the activities of foreign multinationals in Italy's widening political corruption scandal.

It is almost a year since ABB, the Swiss-Swedish engineering and electronics group, first appeared in the investigations, then still largely limited to Milan. The group was alleged to have paid about L16bn ($10.8m) in kickbacks to obtain orders for the city's underground railway line.

The foreign trail went relatively cold thereafter, bar a further bout for ABB, whose chief executive in Italy, Mr Umberto Di Capua, was arrested and briefly jailed on allegations believed to be linked to the métro orders. Mr Di Capua, who only joined the company after the completion of the new line, was released soon after.

However, in the past week, the foreigners have been making a comeback. Last week saw the arrests of senior executives from the Italian subsidiaries of both Sweden's Ericsson and GEC of the UK on allegations linked to contracts from ASST, the former state telephones agency.

The list has now been lengthened with the detention of Mr Scanavaca as Milan magistrates pursue their latest line of investigations into alleged bribes on orders for telecommunications equipment.

However, the German group is not a complete stranger to the corruption scandal. In May 1992, investigations into alleged corruption in a hospital south of Milan, triggered allegations that the company had handed over about L50m in kickbacks to win a contract.

The impact on the standing of foreign companies in Italy is still being digested and public reaction has been limited so far. Officials at Ericsson were unavailable for comment yesterday, while a Siemens official had "no comment" to make on the arrest of Mr Scanavaca beyond pointing out that he had come forward to testify before magistrates voluntarily on Tuesday evening. The official also pointed out that Siemens Telecommunicazioni, the subsidiary chaired by Mr Scanavaca, was formerly owned by GTE, the US telecoms group, prior to its takeover by Siemens in 1987-88. The subsidiary specialises in public networks and transmission systems.

So far, only ABB appears to have taken its alleged involvement on board. Well before the inauguration of Fiat's new "ethical code of business practice" last week, the company had already moved to tighten up its procedures. The group already had a chapter on ethics in its booklet on business values drawn up in 1988.

Following its brush with the Italian magistrates, procedures at its subsidiary were reinforced, with executives obliged to sign a letter committing themselves to respecting the national law in any dealing with public-sector employees.

Japanese puts EC steel plan to the sword

By Haig Simonian

MR Hayao Nakamura, the former Nippon Steel executive now managing Italy's loss-making Ilva state steel group, yesterday questioned the authority of the European Commission to dictate future capacity cuts.

"If competition policy means fair trade, that's fine. But if by competition they mean acting as judges, then that's not acceptable," he said. "We have to establish what are the rules of the game."

Mr Nakamura called for a "gentleman's agreement" between European steel producers to combat the industry's crisis by raising prices and agreeing production cuts, in line with Japanese practice, rather than have the Commission impose plant closures.

"Everyone knows there's overcapacity of airline seats across the Atlantic and Lufthansa is losing more money than any other airline. But no one has called on the Germans to scrap half their jumbo jets. It's the same thing with steel," he argued.

Mr Nakamura, in his first newspaper interview since taking over at Ilva, was reacting to a letter earlier this week from Mr Karel Van Miert, the EC competition commissioner, to Mr Paolo Savona, the Italian industry minister, outlining problems with Ilva's latest restructuring plan.

The plan, presented to the Commission last month, involves the creation of a new Italian state steel producer, based on Ilva's big Taranto integrated steelworks, and the transfer of other plant and about L2,500bn (£1.1bn) in debt to Iri, the state holding company which controls Ilva.

In his letter to Mr Savona, Mr Van Miert argued that the Ilva plan involves substantial state aid and might have to be accompanied by up to 3m tonnes of capacity cuts if it were to go along with the EC steel plan. Mr Nakamura questions both the Commission's interpretation of state aid and its right to intervene.

"Iri is no longer a state entity but a joint stock company. If Van Miert says it's aid, we're starting off at odds and there is no point in carrying on," said Mr Nakamura.

The comments illustrate the Italians' belief that the Commission's attitude towards Ilva is one-sided and based on pressure from leading north European steel producers, principally the Germans. "I want to be a good partner to other European steelmakers. But they are our colleagues, not our controllers," he said. Mr Nakamura, who took over the top job at Ilva in January, claimed it could not be accused of overcapacity or of dumping. Ilva exported only 16 per cent of its output and exports were widely diffused rather than concentrated in just a handful of markets, he argued.

He implied that the Commission's approach reflected the desire of some big north European steelmakers to eliminate capacity from southern competitors to gain market share. "They want to send advisers into our plant to supervise capacity but I won't let them in," he said. Ilva, which made a net loss of more than L2,300bn last year, has only 43 per cent of the Italian market, Europe's second biggest.

"We could sell 100 per cent of our production in Italy, so why should we cut output? For the sake of the Italian public, or for the sake of the German public? What harm do we do to other producers?"

Mr Nakamura said that Ilva would be prepared to make production cuts to its current output of about 8m tonnes, but only in return for aid from the government. As the Italian government has refused to provide funds, large cuts were out of the question, he implied.

He said that the company, which he forecast would make a net loss of about L1,700bn this year, would close the remaining steel facilities at its Bagnoli plant in Naples independently of any Community agreement.

Van Miert: Under fire in Italy

UN chief in Cambodia dismays staff

By Victor Mallet in Phnom Penh

UNITED NATIONS staff in Cambodia were aghast yesterday when their chief attempted to ease fears about possible Khmer Rouge artillery attacks during next week's election by saying that the guerrillas often missed their targets or used ammunition which failed to explode.

Mr Yasushi Akashi, head of the UN Transitional Authority in Cambodia (Untac), summoned staff at Untac headquarters in Phnom Penh and told them it was "more than likely" that the Khmer Rouge would try to disrupt the election by mining roads leading to polling stations and harassing voters.

"There may even be some bombardments and rocket attacks aimed at some of the polling stations," he said as the official campaign period drew to a close. "In most cases they will miss the targets but we have to be prepared... We cannot afford too many more sacrifices among our colleagues."

Many UN officials expressed their dismay at Mr Akashi's remarks. In contrast to his previously optimistic assessments of the UN's $2bn (£1.2bn) peacekeeping mission in Cambodia, he has gone out of his way this week to paint a gloomy picture of the election, possibly so that the reality will not seem so bad.

Mr Akashi spoke of the three main challenges facing Untac's 22,000 peacekeepers and election workers: the military threat from the Khmer Rouge, which has flouted a 1991 peace agreement and threatened to disrupt the voting; the violence and intimidation carried out by government forces against their political opponents; and the consequent warnings by opposition parties that they might withdraw from the poll.

"It's quite clear that [these are] less than optimum conditions in terms of a free and democratic atmosphere," he said. Dozens of Cambodians working for opposition parties have been murdered, apparently by government forces, and 12 Untac staff have been killed by landmines or gunmen.

Mr Hun Sen, the prime minister of the Phnom Penh government – which has not been recognised internationally and is regarded by the UN as one of the four main Cambodian factions – yesterday sought to reassure his critics by insisting that his administration would hand over power if it lost the election.

"We consider ourselves as sports," he told a news conference. "We are prepared to transfer everything to the winner... but perhaps the situation might not turn out that way, because some parties are now reorganising their armies at the border in order to prepare themselves to continue the fighting in case they lose the election."

He added: "Even if we win an absolute majority we would invite the other parties to join a government of national reconciliation."

Campaign workers make a last effort to whip up support in the streets of Phnom Penh yesterday

Untac under fire over human rights failure

By Victor Mallet

ASIAWATCH, the US-based human rights group, yesterday accused the United Nations Transitional Authority in Cambodia (Untac) of failing to deal effectively with human rights abuses and said it had thereby left the way open for further abuses in the future.

"Hundreds of serious abuses have been documented by Untac, but few have been publicly exposed or redressed." Asiawatch said in a report. Untac's failure was serious because its mandate emphasised measures to assure human rights in view of Cambodia's tragic history, the report said.

Abuses had been committed by all the main factions: the UN had continued to court the Khmer Rouge after the guerrillas had slaughtered Vietnamese and Cambodian civilians, and it had failed to dismiss or prosecute government officials who condoned the murder and intimidation of opponents.

Asiawatch urged Untac to appoint an independent tribunal to ensure that suspects in Untac investigations were properly tried, and suggested the government to emerge from next week's election should give priority to creating an independent judiciary.

Asiawatch also said Thailand should be pressed to arrest Pol Pot, the extreme left-wing Khmer Rouge leader, for crimes committed during the organisation's reign of terror in Cambodia from 1975 to 1978, "rather than providing him shelter and protection".

Pol Pot and his associates are blamed for the deaths of an estimated 1m Cambodians. He now has a house in eastern Thailand near to the Cambodian border and has close relations with Thai military officers.

The report recommended that the UN should improve its monitoring of the border to ensure that timber and gems do not go into Thailand in violation of sanctions and provide foreign exchange for the Khmer Rouge. Consumers and traders – including those from Japan, Vietnam and Thailand – should be punished if they broke the embargoes.

Cambodia: human rights before and after the elections. Asiawatch, 485 Fifth Avenue, New York, NY 10017-6104, USA.

Pacific neighbours try to patch quarrels

Kevin Brown on 'down-under' diplomacy

THE SYDNEY Morning Herald's main story yesterday, headlined "PM sends Kiwis $500m welfare bill" was accompanied by a cartoon showing a New Zealander lying on an Australian beach and saying he had emigrated because job opportunities were better there.

Almost all Australia's daily newspapers carried front-page reports of a briefing by one of Mr Paul Keating's senior aides on the agenda for the prime minister's four-day visit to New Zealand, which starts in Wellington today.

The media coverage reflects Australian prejudices about New Zealanders, who are widely believed to have taken an unfair advantage of reciprocal immigration and social security arrangements between the two countries. However, the story was regarded with puzzlement in Wellington, where Mr Keating's visit is regarded as an opportunity to ease recent strains in the bilateral relationship.

In particular, Mr Keating was thought to want to soothe resentment caused by Labor's occasionally vitriolic criticism of New Zealand's free market economic policies.

Ironically, the growing Australian resentment about New Zealand immigrants has been accompanied by rapid progress towards economic integration following the 1983 Closer Economic Relations (CER) agreement. Studies show that both CER and the parallel Trans Tasman Travel agreement, which guarantees free movement of Australian and New Zealand citizens, have delivered net benefits to both countries.

Free trade in manufactured goods was established in 1990, and bilateral trade is growing at 12 per cent a year. However, the greatest benefits have accrued to New Zealand, which now sends 19 per cent of its exports to Australia.

As a result, the relationship with Australia has become a high priority for New Zealand, which virtually ignored its larger neighbour until the 1980s. Mr Jim Bolger, the conservative New Zealand prime minister, would also like a successful round of talks to improve his image in the approach to a difficult election later this year. However, there are a number of areas in which agreement may be difficult:

- New Zealand wants to see rapid progress on "second generation" CER issues such as harmonisation of standards, corporate taxation law, business law and investment rules. It also wants greater access to markets such as telecommunications, coastal shipping and insurance.

Some progress has been made, partly as a result of the inclusion of New Zealand ministers in most of Australia's ministerial councils, which coordinate federal and State government approaches to such issues. But Mr Bolger will be seeking an indication that harmonisation remains a priority for Australia, and that the speed of reform will be increased by the re-elected Labor government.

In particular, New Zealand would like to tie up an agreement on pre-clearance for airline passengers, which has been held up by Australian concerns about New Zealand's visa requirements for third countries.

- Mr Bolger will try to defuse the welfare row by agreeing to a review of reciprocal social security arrangements, especially for pensioners, but he will resist any attempt to weaken the free travel agreement. The Australian government has been under pressure from its trade union allies to restrict access for some workers, especially sheep shearers, who are accused of undercutting established wage rates.
- Canberra has been perturbed by New Zealand's support of the North American Free Trade Agreement, which Australia sees as a potential threat to Japan, its biggest trading partner.

New Zealand has worked hard behind the scenes to allay Australian fears, but Mr Keating will be seeking assurances that Wellington remains committed to the integration of both Australasian economies into the Asia Pacific region.

Mr Bolger, who returned on Tuesday from a trip to Japan, China and South Korea, said last week that he was "comfortable" with Wellington's increasingly close relationship with Asia.

New Zealand's trade is more geographically diversified than Australia's, and Wellington is less enthusiastic than Canberra about the prospects for regional trading organisations such as the Australian-inspired Asia Pacific Economic Co-operation process.

- New Zealand's nine-year-old anti-nuclear legislation, which bars visits by nuclear armed or powered ships, has reduced the effectiveness of the Anzus defence pact, which links Australia, New Zealand and the US. Mr Bolger would like to repeal the legislation, but is unable to do so because it is strongly supported by voters of all parties. As a result, the US has suspended exercises with the New Zealand armed forces, restricting its access to intelligence and military equipment.

Canberra has continued bilateral defence links with New Zealand, which include a joint frigate programme, but Australian ministers have recently made clear that they will not support a return to three-way exercises until the nuclear ban is abandoned. Mr Keating may also express concern about the falling level of New Zealand defence spending.

There is one area in which the two leaders will be in complete agreement: both want to see a rapid conclusion to the Uruguay Round talks on the General Agreement on Tariffs and Trade. Both countries would gain substantially from liberalisation of agricultural trade, and the talks are likely to conclude with a joint appeal to the US and the European Community to stop bickering over the details.

Osaka and Tokyo see 5% declines

Japanese city land prices fall

By Robert Thomson in Tokyo

LAND PRICES in Tokyo and Osaka, Japan's two largest cities, continued to fall in the first quarter this year, putting added pressure on financial institutions exposed to the property market.

The National Land Agency said the greater Tokyo residential price index fell an annualised 5 per cent during the period, compared to 8.2 per cent in the previous quarter, while commercial prices fell 5.9 per cent, against 9.2 per cent.

Officials at the agency said the slowing of the fall suggested that the market was close to touching bottom, but most Japanese banks and other property-related lenders had hoped the downward trend would be reversed in the first quarter.

The falls are undermining the value of property collateral held by financial institutions, which fuelled speculative investment in the market during the late 1980s, when it was predicted that Japanese land prices would never fall.

Commercial prices in Osaka fell 5.2 per cent during the quarter, while the residential index fell 4.2 per cent in that city. It was a particularly popular location for building "investment apartments", many of which remain empty.

However, the agency said there is evidence of a revival of interest in residential property in Japanese cities, but buyers are now more selective about the areas for investment than during the 1980s, when even properties far from public transport appreciated sharply.

Kotani: bubble bursts

Kotani given suspended sentence

By Robert Thomson

THE MOST famed stock speculator of the "bubble era" in Japan, Mr Mitsuhiro Kotani, was yesterday given an 18-month suspended jail sentence for what the Tokyo District Court described as the "naked manipulation" of stock prices.

Mr Kotani, 56, had pleaded guilty to manipulating the stock price of Fujita Kanko, a tourism company, but the court also condemned banks and brokers which assisted Mr Kotani's speculator group during its reign over Japanese markets in the late 1980s.

The group, Koshin, bought shares in companies ranging from Janome, a leading making of sewing machines, to Kokusai Kogyo, an aerial survey company, which it first attempted to greenmail and then took over when the management was unwilling to buy back the Koshin stake.

Mr Kotani admits that his group earned about Y31bn (£181m) through manipulating Fujita Kanko's price, which rose 40 per cent during one week in April 1990. The money was needed to complete the purchase of Kokusai Kogyo.

While Mr Kotani admitted the charge, he suggested that he did not intend to deceive other investors into buying the stock, while his lawyers argued that Fujita itself and Tobishima, a formerly conservative construction company, had played an important role in the manipulation.

In the late 1980s Mr Kotani, became one of the brightest stars of the "bubble era".

His downfall, which came with the collapse of stock prices, has left a range of politicians and bankers open to criticism. A former environment minister was charged with tax evasion on profits allegedly made through Kotani stock tips, while the deputy head of Sumitomo Bank's domestic business division resigned to take responsibility for the bank's dealings with him.

The court said yesterday that the securities companies which assisted Mr Kotani in his share raids and price manipulation were "partly responsible" for the affair, and the Tokyo market had been "far from fair and just". Mr Kotani still faces a separate charge of extorting Y30bn from Janome, the sewing machine company.

US verdict disappoints Ramos

PHILIPPINE President Fidel Ramos yesterday expressed disappointment over a US federal jury verdict clearing Westinghouse Electric of bribery. An elated Mrs Imelda Marcos said the decision vindicated her late husband, AP reports from Manila.

The jury on Tuesday found that Westinghouse and a New Jersey engineering company paid no bribes to the then President Ferdinand Marcos to win a nuclear power contract, an allegation made by the government of President Corazon Aquino, his successor.

Mr Jess Sison, presidential spokesman, said the Philippines would continue to pay back a loan from Westinghouse for the $2.3bn (£1.5bn) the plant cost in 1976. Daily interest alone costs $300,000 and the principal is the biggest single portion of the country's foreign debt burden of $30bn.

Mr Francisco Villa, state prosecutor, said the government would appeal against the verdict.

The 620MW nuclear plant on the Bataan peninsula, the country's only nuclear power plant, was completed in 1985 but never started up by the Aquino administration.

The Marcos family faces more than 80 criminal and civil charges in the Philippines in connection with alleged corruption, but none of the trials has been completed.

Inside South Africa's atomic laager

South Africa on Tuesday proposed to ban the manufacture of nuclear and biological weapons.

This followed an announcement earlier this year by President F W de Klerk that Pretoria had dismantled six nuclear weapons built between 1974 and 1990.

The proposed law aims to ensure compliance with international treaties and conventions governing nuclear and biological weapons, including monitoring dual-use equipment.

A United Nations embargo prevents the sale to South Africa of arms as well as other items including supercomputers, which have military potential.

Mr Derek Keys, minister of finance, trade and industry, told parliament: "The object of the bill is further to promote and ensure free trade with the international community."

Senior South African officials participated in a recent conference on nuclear non-proliferation in Africa held in Harare in association with the University of Zimbabwe. **John Simpson, Darryl Howlett and Jeremy Ginifer** of the Programme for Promoting Nuclear Non-Proliferation examine what is known about South Africa's nuclear programme.

SOUTH African officials told PPNN that their nuclear capability was not intended for use against Soviet-backed Cuban or African forces as had been previously suspected. Instead, it is claimed this capability was designed to secure western intervention, in particular from the US, in the event of an imminent threat of attack by Soviet-backed forces.

South Africa would then have conducted a nuclear test to demonstrate its possession of nuclear devices. By signalling that further devices existed, South Africa thus expected to secure western intervention to halt the conflict and neutralise Soviet nuclear capabilities.

South Africa's nuclear doctrine, which might be termed catalytic deterrence, was never disclosed and has no direct historical parallel in nuclear strategy. Nuclear weapons states have tended to regard their unilateral readiness to use nuclear weapons as central to credible deterrence.

South Africa's strategy was driven by its perceived vulnerability to a Soviet-inspired attack through neighbouring African states, backed by the threat posed by Soviet nuclear weapon capabilities. It was felt that this threat could be neutralised only by directly linking South Africa to the west's nuclear deterrence umbrella.

South Africa's nuclear strategy had three stages, PPNN was told. The first was a deliberate policy of ambiguity. South Africa would "neither confirm nor deny" the possession of nuclear explosive devices. It was thought that this stance would persuade western states to pressure the Soviet Union into exercising restraint in the region.

If this policy failed, and a substantial military threat emerged, a second stage would be implemented. This was the detonation of a nuclear device. It was assumed that this would lead to frantic western diplomatic activity both to prevent any nuclear devices actually being used and to constrain the Soviet Union and its allies from further military action. The South Africans may thus have hoped to obtain western nuclear security guarantees in return for their non-use of nuclear weapons and for nuclear disarmament.

If this did not produce the desired results, the third stage would be initiated by revealing to the west the existence of a stockpile of devices.

The strategy was conceived during the mid-1970s, when South Africa felt territorially threatened and diplomatically isolated. The first nuclear device was completed in 1980 but, after problems with the uranium enrichment plant, only six of a planned stockpile of seven devices had been manufactured by 1989 when the programme was terminated.

The limited stockpile resulted from the catalytic deterrent strategy. Of the seven devices, three were for use at the Vastrop test site. The remainder were intended as back-ups in the event of a test failure and for demonstrating the existence of a stockpile.

Three shafts, drilled to a depth of 180 to 200 metres, were planned for the test site, but one shaft had to be abandoned because of geological difficulties. The other two were completed by 1977 and, although equipped with some instrumentation, were never used.

It was felt security would lie only in being linked to the west's nuclear deterrence umbrella

The nuclear devices also appear to have been less advanced than previously assumed. In view of the catalytic strategy, it was decided to develop a nuclear explosive device, not a deliverable weapon of the type currently deployed by the nuclear weapon states.

The device chosen – a gun assembly design – was similar in concept to the "laboratory weapon" dropped by the US on Hiroshima in 1945. It had a yield of 12-15kt and used uranium 235, which could be mined and enriched within South Africa.

Light can also be shed on other mysteries surrounding the South African nuclear programme. Intense speculation has surrounded the detection of an unusual double flash in the South Atlantic by a US satellite in 1979, which some considered evidence of a South African nuclear test. According to South Africa no test occurred and no radioactive fallout was recorded in the vicinity. This may add substance to the claim that the flash was induced by a micro meteorite hitting the satellite. Claims that South Africa's nuclear deterrent programme benefited from co-operation with Israel or any other state were also denied.

South Africa's explanation of its deterrent strategy raises additional questions which remain unanswered. One is whether this account is a rationalisation after the event. Only hard evidence that the devices were not produced in weapon form and that there were no aspirations to advance to more sophisticated fission can dispel this possibility.

The second is whether the catalytic deterrence strategy would actually have worked if it had been implemented in the manner described. The end of the cold war may have eliminated the specific circumstances, although the idea of using nuclear proliferation as a bargaining tool to exert leverage over the nuclear weapon states probably persists.

Is this strategy also the rationale underpinning the activities of other states with ambiguous nuclear programmes, such as Israel, Pakistan, India and North Korea?

Programme for Promoting Nuclear Non-Proliferation, Mountbatten Centre for International Studies, University of Southampton, UK.

Egyptian clampdown nets 800

By Roger Matthews, Middle East Editor

THE EGYPTIAN authorities have stepped up their battle with Islamic extremists, arresting more than 800 people in the past 10 days.

According to members of the security forces quoted by Reuter, the latest arrests are an attempt to smash a hitherto unknown group called the Vanguards of the New Holy Struggle.

The group is said to have been recruiting members in schools and universities, and advocates the full application of Islamic law.

President Hosni Mubarak has blamed Iran for sponsoring the wave of extremist attacks, which have badly damaged the tourism industry, and last month ruled out any possibility of a dialogue with radical Islamic factions.

Mr Mohammed Abdel-Moneim, the president's spokesman, said at the time: "The strategy is steady – to get rid of these people."

US officials have cast doubts on the extent of external involvement in Egyptian terrorism, while liberal, secular organisations in Cairo have warned Mr Mubarak against the dangers of pursuing a confrontational policy with groups in large part motivated by poor social and economic conditions.

NEWS: THE AMERICAS

Clinton acts to head off revolt over cuts

By George Graham in Washington

PRESIDENT Bill Clinton met his party members in Congress yesterday in an effort to consolidate support for his economic programme and head off a brewing revolt among conservative and centrist Democrats looking for more spending cuts and fewer tax increases.

Mr Clinton has appeared rejuvenated by trips to Ohio, Illinois, New Mexico and California over the last 10 days to seek support for his economic package from the public. The latter, however, must wait three and a half years before they can vote for Mr Clinton again, while members of Congress have a more immediate opportunity to pass judgment.

The Democratic leadership appears unwilling to jeopardise the president's economic package by allowing party members to tinker with its components, but they also want to avoid provoking an all-out rebellion by choking off dissent too fiercely.

Mr Clinton has so far succeeded in keeping his plan more or less intact, making some concessions on the proposed energy tax and abandoning his efforts for an investment tax credit, but preserving the main elements he sought, such as higher taxes on the rich and cuts in many spending programmes.

The work of the House of Representatives Ways and Means Committee on the tax measures will be married today with that of 12 other committees on the plan's spending components into a single reconciliation bill, but some conservative Democrats want to amend the plan when it is debated by the full House.

Perhaps 20 Democrats are thought unlikely to vote for any tax bill; it would only take another 20 opposed specifically to the energy tax, allied to the Republicans, to break the Democrats' 80-seat majority in the House.

"We need all the factions of the Democratic party to unite," said Mr Tom Foley, the Speaker of the House.

If the plan cannot be preserved in the House, it would have little chance of surviving in the Senate, where the Democrats have a much slimmer and less disciplined majority.

Leaders of the conservative and centrist Democrats, such as Congressman Dave McCurdy of Oklahoma and Congressman Tim Penny of Minnesota, are pushing for a measure to place ceilings on all entitlement spending, which includes medical and social security programmes.

They argue that this is essential if overall government spending is to be controlled, since entitlements now make up half the federal budget.

Critics complain, however, that across the board entitlement cuts would hurt the poor and needy. They also warn that the ceiling could pre-empt any savings from the reform of the health care system now being prepared by the White House, since medical entitlement programmes such as Medicare and Medicaid are the fastest growing elements in the budget.

Mr Clinton said after his meeting with the congressional Democrats that he was optimistic that his economic plan would pass, and would achieve much of the deficit reduction the conservatives want.

Mr McCurdy, however, said the president would have to compromise because there were not at the moment enough votes to pass the bill.

But other Democrats said the conservative rebels were seeking to cover their flanks with voters in their constituencies and would, in the end, fall in line.

Brazil hedges democracy with money for military

By Christina Lamb in Rio de Janeiro

BRAZILIAN President Itamar Franco and the country's military chiefs issued a joint communiqué yesterday, warning that "democracy cannot be allowed to commit suicide".

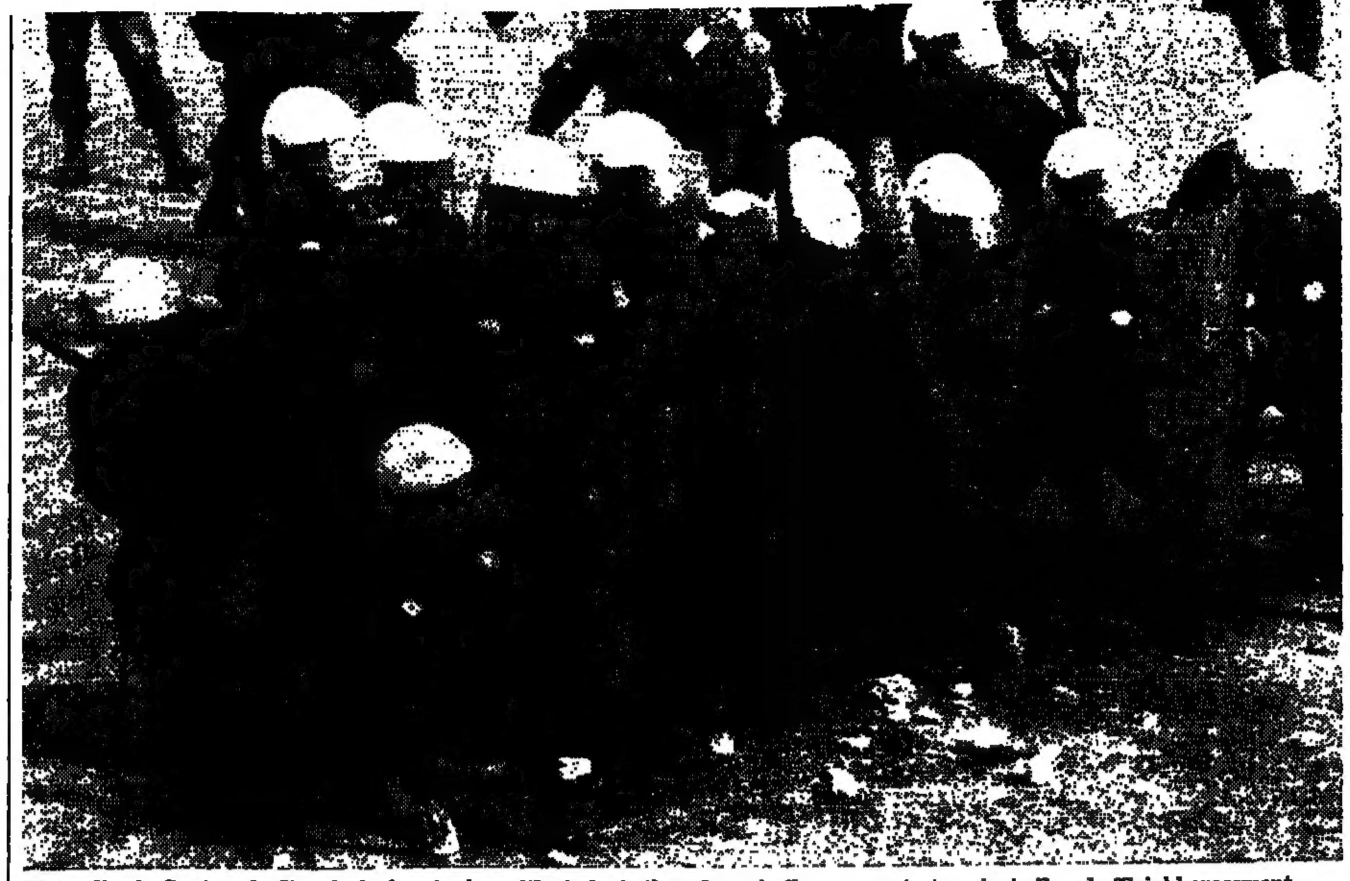
This arose from a four-hour meeting to discuss dissatisfaction in the military over pay and conditions, as well as the country's worsening social problems and a recent surge of regional separatist threats.

The chiefs of the three armed services repeated demands for the military to be put on the same pay scale as the legislature and the judiciary.

They claim that Brazil's military spending amounts to the equivalent of $3 per head, compared to $27 in Bolivia and $17 in Argentina. The air force commander says that his service cannot even afford fuel for its aircraft.

Worried by increasing talk of agitation among the military, which prompted the meeting, Mr Franco had little choice but to accede, at least in part, to their demands. He seems to have promised a 97 per cent wage increase (Brazil's inflation is at about 30 per cent a month) and funds to modernise equipment. The communique explained: "Democracy is a delicate plant requiring careful attention if it is not to wither."

It also stressed the role of the Brazilian armed forces: "Ethnic conflicts in Europe, disputes for control of strategic areas, and the formation of economic blocs mean that large countries such as Brazil, rich in natural resources, must make greater efforts to defend their territorial and political sovereignty."



Riot police in Guatemala City clashed yesterday with students throwing missiles as a protest against alleged official harassment

Guatemala 'political killings go on'

POLITICAL killings are continuing in Guatemala despite the civilian government's pledge to end them, Amnesty International said yesterday, AP reports from London.

Opponents of the government of President Jorge Serrano Elias also have been tortured and some simply "disappear," the London-based human rights group said in a report. "The government may have changed, but the violations go on."

Mr Serrano, who pledged to protect human rights when he took office in January 1991, "has singularly failed to do so," it said.

Amnesty has documented "tens of thousands" of human rights violations in Guatemala during the past 20 years. It said the number of political killings by government forces has dropped – "but we have yet to see whether this will be a lasting improvement.

"The odds are against it. Harassment, intimidation and death threats are on the increase, violators from the past are still walking free and the repressive structures are still in place."

A few human rights violators have been convicted, Amnesty said, and a presidential commission has been set up to co-ordinate human rights policy.

Victims include street children, human rights workers, journalists, indigenous peasants, academics and trade unionists, Amnesty said. Some have been killed by members of the security forces in uniform, others were murdered by "death squads" – military personnel in plain clothes so as to "disguise their guilt".

Yet others have been killed by civil patrols – civilian groups said to be volunteers but under military control.

Amnesty said the government has tried to cover its responsibility by claiming that victims were part of armed opposition groups. "These allegations are often made, with little or no evidence, against whole communities of indigenous peasants, for example, or against human rights workers."

Sale of Latin American art disappoints

By Antony Thorncroft

LATIN American art has suddenly gone off the boil. After three years of rapidly increasing prices, the auctions in New York this week were disappointing. On Tuesday, Sotheby's raised $4.5m (£2.9m) from 79 lots but the auction was only 52 per cent sold by value.

There was one significant record, for a colonial painting. It depicts the Christmas Eve festivities in Mexico City in 1720 and is signed Arellano. It had been discovered recently in a house in England and more than doubled its estimate, selling for $497,500.

A painting depicting café society in Bogotá, "Cuatro Mujeres" by the Colombian artist Fernando Botero, was at the bottom of its estimate, realising $717,500.

Sotheby's had more luck with its New York sale of the Alexander S. Honig collection of African art. It totalled $646,715 and was 92 per cent sold. A Fang male reliquary from Gabon fetched $206,000.

Christie's tribal art sale on the same day fared less well, totalling $825,212 but only 57 per cent sold. A Benin rectangular bronze plaque of about the year 1600 went below estimate for $112,500.

Nikko pays $1m SEC penalty

THE US unit of Japan's Nikko Securities has settled charges by the Securities and Exchange Commission that it violated federal financial reporting and recording regulations, the SEC said yesterday, Reuter reports from Washington.

Without admitting or denying the SEC's allegations, the brokerage agreed to pay a $1m (£650,000) civil penalty.

The SEC charged Nikko in February with violating broker-dealer rules by allegedly concealing for several months an $18m foreign exchange trading loss in 1991.

Apart from the court-ordered penalty, the SEC separately issued a "cease and desist" order against Nikko and Mr Tsuneo Iida, the US unit's former chairman, Mr Masanori Ishikawa, former accounting chief, and Mr Susumu Okada, former senior vice president.

The SEC order stemmed from its finding that the three executives wilfully aided, abetted and caused the unit to violate rules under federal securities laws.

The SEC's investigation came after Japanese regulators found in 1991 that Nikko Japan had improperly compensated favoured customers for securities trading losses.

Japanese regulators imposed fines on Nikko and Japan's Fair Trade Commission ruled that the giant securities firm had violated the country's Monopoly Prohibitions Act.

According to the SEC, in late April or early May 1991, Mr Iida, Mr Ishikawa and Mr Okada learned of the $18m foreign exchange trading loss and decided to tell this to only a handful of Nikko employees.

For about five months, the loss was not disclosed to Nikko's own legal or compliance office, nor to outside auditors, the New York Stock Exchange and the public.

Nikko was one of four Japanese companies charged by the SEC for keeping shoddy records and making false statements.

NEWS: WORLD TRADE

Clinton's $7bn dilemma on China

Linking human rights to trade could backfire, writes Nancy Dunne

DEMOCRATS in the US Congress used to enjoy watching former President George Bush squirm during his annual veto of legislation which linked US tariff levels on Chinese imports with the country's human rights behaviour.

Now it is President Bill Clinton's turn to feel the heat. As a candidate he indicated support for the Democrats in Congress. As president he must worry that even conditional China trade linkage, under which the administration is required to certify annually that China has improved its human rights and arms sales record, would jeopardise up to $7.5bn (£4.9bn) in US exports this year.

This policy of non-discrimination in trade policy, the Most Favoured Nation treatment, provides to all trading partners the same customs and tariff arrangements.

The president has until June 3 to notify Congress whether he will renew China's MFN status. He could at the same time unilaterally impose some conditions on next year's renewal to head off legislation in Congress to impose even steeper requirements. Mr Warren Christopher, secretary of state, said China's reportedly coercive family planning programme and its alleged missile sales to Pakistan could be cited as a necessary improvement.

In the business community, the overwhelming sentiment is that morality is a luxury the US can rarely indulge in these days of persistently high unemployment – particularly when the price of linking US tariff rates with China's human rights record gets higher every year.

The voluntary Levi Strauss withdrawal from China is not seen as the beginning of a trend. In fact, a new report by the International Business and Economic Research Corporation, which is funded by business, frets that removal of MFN or conditionality would provoke Chinese retaliation and risk up to 171,000 US jobs in 1993.

Hardest hit immediately would be US exports of aircraft, fertiliser, wheat and telecommunications.

Mitchell, left, and Clinton: pursuing Democratic goals tempered by presidential responsibilities

Main Imports from China, and Effects of Loss of MFN Status (1992 Imports)

ITEM	1992 Chinese Imports (million $)	Share of US market: China	Domestic	Other	Price change: China	Domestic	Other	Average	Change in Chinese Imports (million $)	Increased Cost of Purchases (million $)
Plastic footwear	990.5	57.4%	24.8%	17.8%	+20.8%	+6.7%	+5.1%	+10.0%	-329.8	170.2
Non-cotton sweaters	769.1	55.0	22.0	23.0	+38.2	+10.2	+9.2	+15.4	-487.4	185.2
Misc. toys	644.6	49.0	27.6	23.4	+44.4	+8.7	+7.9	+11.0	-520.9	137.7
Women's leather footwear	609.1	18.5	24.8	55.7	+6.8	+0.8	+0.5	+1.5	-102.7	50.8
Stuffed toys	483.0	57.4	14.1	28.5	+44.4	+12.3	+11.5	+16.0	-347.4	120.7
Crude Oil	467.8	0.7	55.0	44.3	+0.5	0	0	0	-10.5	0
Women's silk blouses	442.3	36.4	52.2	11.4	+40.1	+6.2	+5.1	+7.6	-369.1	91.6
Men's leather footwear	341.6	20.7	24.8	54.5	+8.0	+0.7	+0.7	+1.8	-66.3	31.6
Artificial flowers	339.1	72.6	10.0	17.4	+43.0	+14.0	+13.4	+22.4	-189.8	88.5
Non-stuffed toys	313.7	54.0	27.6	18.4	+44.4	+11.8	+10.4	+14.0	-234.0	74.8
Total	8,723.2	-	-	-	-	-	-	-	-4,289.3	1,513.6

Source: International Business and Economic Research Corporation

In the report's worst case scenario Boeing, McDonnell Douglas and their suppliers would suffer the greatest harm. They have 76 per cent of China's aerospace market. Boeing could lose $5bn in sales. McDonnell Douglas has been selected for co-production of a "trunk aircraft" which calls for firm orders for 40 aircraft, valued at about $1bn, and it is discussing assembly of 105-seater aircraft in Shanghai.

China is the largest market for US fertiliser – exports last year were $829m – and it is usually the largest or second largest importer of US wheat. Billions of dollars will be at stake as China modernises its telecommunications market, where AT&T is already a leading participant.

Former senator Adlai Stevenson, an Illinois Democrat and son of the country's late United Nation's ambassador, is one of many in business hoping conditional MFN can be avoided. As head of a US-Chinese joint venture to design, build and operate commercial telecommunications systems in China, Mr Stevenson is all too aware of what is at risk.

The joint venture – the China America Telecommunication Company – has a contract to build a $20m prototype. US sanctions ultimately could cost the group participation in China's $20bn telecommunications equipment market.

Yet projects like these which link the Chinese people with the outside world are important to improvement of human rights, Mr Stevenson argues. "Political liberalisation is happening already, although it is hard to quantify, and it will continue to happen as ideas and information cross borders."

US investment in China has been limited until recently to production ventures. But investment has expanded in services, with US accounting, computer software, consulting, financial insurance and marketing firms establishing a toehold from which the newcomers are expecting to leap into the China market.

Since August 1992 the following investments are among the dozens which have been announced: American International Group, forming a wholly-owned insurance company in Shanghai; Connor Peripherals to manufacture hard disk drives; Coopers & Lybrand, a joint venture to provide auditing, accounting, tax and consulting services; Gallup Group, a joint venture to conduct market research; General Electric, with Chinese partners and others to build a communications satellite; Singer, construction of a sewing machine company with annual production of 400,000 units; and Westinghouse Electronics and Digital Equipment, an agreement with Shanghai No 1 Iron and Steel Plant to develop automation techniques.

MFN legislation, introduced by the Senate majority leader George Mitchell, would differentiate between products produced by private enterprises (now about half US imports from China) and those made in state ventures, which would be subject to the same high tariffs as Afghanistan, Cambodia, Cuba, Laos, Montenegro, North Korea, Serbia and Vietnam.

Under the legislation, China would be required to step up releases of political prisoners and improve its record on religious persecutions, unfair trade practices, and exports of missiles and other arms exports to regimes that have not signed up to multilateral controls.

The $17bn US trade deficit with China is less of an issue in the MFN debate this year. Congressman Lee Hamilton, chairman of the House foreign affairs committee, recently acknowledged that "fair minded people recognise that increased imports from China reflect the relocation of production from other Asian exporters, including Taiwan and Hong Kong".

Furthermore, China's imports are likely to mushroom to supply a growing demand for raw materials, capital equipment and technology.

Mr Winston Lord, the assistant US secretary of state, last week apparently made little headway in urging China to make new commitments on human rights and weapons proliferation.

The administration is expected to wait as long as possible before the June 3 deadline, in the hope that the pressure will produce Chinese concessions.

Coface hit by strong franc

By David Buchan in Paris

ECONOMIC recession and currency devaluations against the franc have made an increasing number of French exporters' clients unable to pay their bills, France's export credit agency, Coface, has warned.

In an interview in Le Figaro yesterday, Mr Alain Paupert the Coface director responsible for short-term risk cover, said the premiums his agency charge French exporters for insuring payment of their goods "will no longer" cover the bad debt claims on it.

Coface paid out FFr400m (£48m) in 1992, a year which saw 210,000 European companies go bust, with the bankruptcy rate rising by 50 per cent over two years. In normal times, bad debt claims on Coface amount to about 1 per cent of the total export business it insures, but this rose to 1.8 per cent in the second half of last year.

Spain has apparently become the riskiest destination for French exports, with bad debt claims amounting to 3.8 per cent of Coface-insured business there. But Mr Paupert said that

French companies pay an average of 0.43 per cent of total export turnover to get Coface cover, with the range of charges varying between 0.3 and 0.9 per cent. The agency says it may raise the top level on a case by case basis but is urging French exporters to redouble the care with which they choose clients.

● Prime Minister Edouard Balladur will brief the Commission in Brussels on June 3 on France's views about the need to broaden the Uruguay Round negotiations to take in all issues with all Gatt participants, not just focus on agricultural trade with the US.

The EC executive does not usually expose itself to direct lobbying from a single EC leader, and the move underlines the determination of Brussels and Paris to bring the Gatt issue to a head.

Lacalle: Integration step-by-step is best

Uruguay sees regional trend for Americas

Stephen Fidler interviews the president

A FREE trade zone made up of the entire American continent is too ambitious an objective, and governments in the western hemisphere should concentrate instead on developing their own regional groupings, according to President Luis Alberto Lacalle of Uruguay.

"We should approach this step-by-step. I think the integration movement mustn't go to the top at the beginning, from Alaska to Tierra del Fuego. No, nonsense," he said in an interview.

Instead, the first stage should be groups of countries getting together, as Uruguay is doing with its partners in Mercosur – Argentina, Brazil and Paraguay. "Mercosur is made real by geography. It is like a tree whose trunk is the River Plate and whose roots are in the Atlantic Ocean.

"That's why Mercosur makes sense and why the accession of Bolivia is reasonable. We are a mass of countries bound together. It's the same for Mexico, Canada and the US," he said.

Making Mercosur work was "very difficult, so the idea for this generation, and perhaps for another one, is to try to make these things work."

Mr Lacalle's remarks were in response to a question about the possibility of Argentina being able to join the North American Free Trade Agreement of Mexico, Canada and the US. Washington has said that three South American countries – Chile, Argentina and Venezuela – would be candidates for accession to Nafta. But Mr Lacalle pointed out: "Nafta is not a reality yet – and that's a big if."

He said an important part of Bolivia looked to the Atlantic so it made sense for the landlocked country to join Mercosur. However, Bolivia is prevented by the Mercosur treaty from joining because it is a member of another trade organisation, the Andean Pact. Mr Lacalle said: "We are trying to provide the possibility. It needs the agreement of the four [member] countries."

The president conceded that, when the common external tariff comes into effect on January 1 1995, "perhaps we won't have a perfect common market" and there would be "some exceptions to the common external tariff". However, for most goods, the common external tariff would be about 20 per cent and there would be no internal tariffs.

He said he hoped Montevideo, the Uruguayan capital, would become the permanent home for Mercosur's administrative secretariat.

Falling retail sales expose frailty of UK recovery

By Emma Tucker,
Economics Staff

THE FRAGILE state of Britain's economic upturn was yesterday exposed by an unexpected decline in retail sales, which last month fell for the first time since the beginning of the year.

The figures follow poor manufacturing output figures earlier this week, and although analysts warned not to read too much into one month's figures, they are the first sign that the recovery might not be on an uninterrupted upward path.

The Central Statistical Office said yesterday that retail sales volumes fell a seasonally adjusted 0.3 per cent last month, compared with March. However, sales were still up strongly in the latest three months, a measure which the government and independent economists take as a better guide to recent trends.

In the three months to April, sales volumes rose by 1.4 per cent and were 3.2 per cent higher than in the same period a year earlier. Compared with the same month a year ago, sales in April were 2.4 per cent higher compared with growth of 4 per cent in the year to March.

Economists generally expect the recovery in the UK to be bumpy, following the experience of the US – suffering from similar private sector debt problems – where economic indicators have painted a conflicting picture in recent weeks.

Concern over the economy was raised further yesterday when it emerged that the government needed to borrow £4.69bn last month to finance public spending. This highlights the prospect of high deficits later in the year as a result of the economic slowdown.

The high level of borrowing for April – which was up 34 per cent from the £3.49bn figure for the corresponding month last year – came about after allowing for higher than expected privatisation proceeds of £1.4bn. Of the total borrowing requirement, central government needed to find £3.25bn last month to cover the gap between spending and revenues. Local authorities borrowed £963m while public corporations took on an extra £396m of debt.

The weakness of April's retail figures was concentrated in food retailers and mixed businesses, mainly department stores. Sales in both sectors fell, while non-food retailers sales were flat.

Over the three months to April growth was concentrated in the non-food sector. Sales rose by 2.7 per cent compared with the previous three months. Food retailers, whose sales held up relatively well during the recession, have not fared so well since the beginning of the year.

One reason for caution about the growth of sales is that heavy discounting, which helped to underpin retail sales, appears to be coming to an end.

The Society of Business Economists also warns today that sluggish growth of real incomes is likely to hold-back consumer spending.

The Treasury stressed that it was dangerous to read too much into one month's figures and pointed to the steady upward trend in retail sales.

Mr Gordon Brown, the opposition Labour party's chief finance spokesman, said: "It is quite clear from today's retail sales figures and yesterday's fall in manufacturing output that far more will have to be done to ensure a sustainable recovery."

Labour also claimed that Britain has been running a deficit on its trade in manufactured goods for more than a decade.

Launching a concerted attack on the government's manufacturing record, trade spokesman Mr Robin Cook asked how long it would be until the country got back to the surplus which existed, he said, every year before the Conservatives were elected.

Losses in Europe force Ford to revise R&D plan

By Kevin Done,
Motor Industry Correspondent

FORD's continuing losses in Europe have forced the US vehicle maker to revise its ambitious plan for restructuring its European research and development operations.

It is reducing the number of jobs to be transferred from the UK to Germany and has decided to keep open its Aveley engineering site in Essex, formerly earmarked for closure.

Ford announced a year ago that it planned to consolidate its design and production engineering operations in the UK and Germany at two sites at Dunton, near London, and at Merkenich, near Cologne.

Ford said yesterday, however, that it had reviewed the plan "to ensure that every element of proposed expenditure is absolutely justified in the light of our present business situation".

Ford's European automotive operations, including Jaguar, made a record loss last year of $1.3bn compared with a loss of $1.079bn in 1991.

The European operations are being drastically restructured with the loss of about 10,000 jobs in Ford of Europe (excluding Jaguar) announced late last year.

Ford admitted this week that "as economic conditions have developed, it is increasingly unlikely that the company's European operations will return to profitability in 1993". The company had previously been more sanguine about its prospects for this year.

It has decided to maintain its pilot plant and manufacturing and process engineering workshop facilities at Aveley.

The "likely benefits" of consolidating the operation at Dunton were "outweighed by the substantial costs involved," the company said.

Under the revised plan for reorganising the research and development operations, the number of jobs to be transferred from the UK to Germany has been reduced to 226 from 309 a year ago.

The jobs are chiefly in chassis engineering with the remainder coming from the body engineering and transmission operations staffs.

The number of jobs being moved from Germany to the UK, in instrument panel engineering, has been cut to 22 from 26.

Within the UK, Ford said yesterday that a total of 776 jobs would now be moved to the Dunton technical centre from other sites in Essex: Aveley (346), Dagenham (172) and Basildon (258). About 400 jobs will now remain at Aveley.

Ford insisted yesterday that the scaling back of the R&D restructuring had not compromised its fundamental aim of locating its design and manufacturing engineering staffs at only two sites in the UK and Germany.

The decisions aimed to improve the efficiency of the engineering operations by the increasing introduction of simultaneous engineering.

Employers fear social costs will hit EC trade

By Michael Cassell,
Business Correspondent

THE EUROPEAN community has lost one-fifth of its share of world trade since 1980 and will lose more unless productivity improves and social costs on employers are contained, the Confederation of British Industry warned yesterday.

The UK employers' organisation called on the EC to "rethink its commitment to the social chapter and to avoid directives which will further reduce competitiveness".

Mr Howard Davies, CBI director general, Mr Davies said that employers across the community were united in their opposition to the additional cost burden implied in the chapter's social action programme.

Implemention of the programme would mean a further reduction in competitiveness and more job losses, he said.

Mr Davies was speaking as the CBI urged the government to construct an industrial strategy based on strengthening the supply side of the economy to achieve sustainable economic growth.

Although encouraged by recent ministerial language backing manufacturing industry, the CBI still believes the government has still failed to articulate a clear, industrial strategy.

The employers' organisation has begun work on a policy document intended to define its view of the government's proper role in improving Britain's competitiveness. It will also set out what the CBI believes to be the acceptable limits of state involvement in supporting industry.

The CBI is anxious to discourage any suggestion of old-style, state intervention but believes the government must make its central objective the adoption of policies intended to help UK companies compete more successfully.

Business leaders complain that competitors in other European countries receive far more state assistance from government in winning vital orders.

Mr Davies said the government's prime responsibility was to provide a stable economic framework for business. But, beyond that, it had to implement policies which would raise the trend growth rate in the UK economy.

Police statement: Kenneth Clarke, home secretary, told the Police Federation yesterday there needs to be structural reform of the service. Despite force opposition, Mr Clarke has started restructuring police authorities to make them smaller businesslike bodies

Minister 'unable to' influence arms sales

By Jimmy Burns

A FORMER cabinet minister indicated yesterday that he may have been unable to influence key decisions of the British government affecting the sale of defence equipment to Iraq and Iran for which his department had statutory responsibility.

Mr Paul Channon, former trade and industry secretary, told the arms-for-Iraq inquiry that during his period in office from 1986-87, the Foreign Office and the Ministry of Defence were interpreting government guidelines in a way he had not envisaged.

The guidelines first agreed in December 1984 were intended to restrict defence exports which could enhance military capabilities and prolong or exacerbate the Iran-Iraq war.

But Mr Channon highlighted one case in which the export of hovercrafts to Iran had been blocked not, in his view, on the basis of military criteria, but because Mrs Thatcher, then prime minister, had not wanted to alienate other Arab countries.

"I think [the MoD and the Foreign Office] were changing the rules as they went along...Although it was government policy, it was jolly irritating," he said.

Documents made available to the inquiry confirm that by 1986, Mr Alan Clark, then serving under Mr Channon as trade minister, and other officials were arguing strongly for a relaxation of the guidelines.

But when questioned about some of them, Mr Channon said he had no record of them being circulated to him.

One document which the former secretary of state could not recall seeing before yesterday was a minute written by Mr Clark to Mrs Thatcher on November 24 1986 urging a relaxation of the guidelines.

Government papers released following the Matrix-Churchill trial – which ended with the acquittal of executives accused of illegal exports to Iraq – suggest that by 1988, with Mr Clark still in his post but not Mr Channon, there was shift in inter-departmental power away from the Foreign Office in favour of the DTI. The hearings continue on Monday.

Study finds engineering in UK lags behind Dutch

By Robert Taylor,
Labour Correspondent

LABOUR productivity in British engineering companies is 25 to 30 per cent lower than in their Dutch counterparts, according to a study by Britain's National Institute of Economic and Social Research.

Proportionately, however, more initial training is now carried out by British companies than in the Netherlands. These are the main findings of a comparative study into productivity, machinery and skills in British and Dutch engineering companies.

The main reason for the continuing productivity 'gap' says the report is widespread provision of full-time vocational education and training in the Netherlands, which allows companies to carry out subsequent training among employees more cost effectively than is possible in Britain.

The study also points to the slower UK investment in capital equipment such as computer-controlled machinery and "lower average levels of workforce skills and knowledge.

"The relatively high standards of students from the age of 13 onwards at junior and intermediate technical schools in Holland give Dutch employers a considerable 'head start' over their British counterparts in terms of the 'train-ability' of their workforce."

It points out that relatively high wage levels in the Netherlands also provide sharp incentives to employers to seek the high levels of workforce skill and productivity required to succeed in manufacturing.

But the study also says British engineering employers are no longer "complacent" in the face of international competitive pressures and points out that many improved their productivity during the 1980s and shifted production into higher value product areas and away from mass production of standardised goods.

The research used in the study was based on visits to 12 British and nine Dutch engineering plants in 1991-92.

Aerospace industry damaged by cuts, MPs told

By Daniel Green

CUTS in government spending on defence research and development are damaging Britain's international competitiveness in civil and military aerospace, a committee of MPs was told yesterday.

Mr Alan Jones, chief executive of helicopter-maker Westland, warned the Commons Trade and Industry Committee that the government's £25m programme for civil aircraft research and demonstration, was just 25 per cent of what was needed to compensate for defence spending cuts.

Funding to help improve helicopter gearboxes, an essential part of helicopter upgrades, had been cut from £3m a year to £0.5m since the mid-1980s.

"We are not getting as much assistance as our [overseas] competitors," he told the committee.

Mr Jonathan Aitken, the defence procurement minister, earlier said that the Ministry of Defence was spending £2.6bn on research and development and that there was a good relationship with the DTI. He said the impact on jobs and other social factors were taken into account by ministers when awarding contracts.

But if a contract with domestic manufacturers cost more than imported alternatives, he would argue strongly in cabinet to split such costs.

He said that the European Fighter Aircraft project was a leading example of how governments and industry could work together successfully.

Nissan denies it was behind alleged tax fraud in Britain

By John Mason,
Law Courts Correspondent

AN EXECUTIVE of Nissan, the Japanese car maker, yesterday denied that his company was behind the alleged tax fraud involving Nissan UK, the former car importers.

Mr Masayuki Sakagami, managing director of Nissan Motor Corporation Carriers, the Japanese company's freight subsidiary, was giving evidence at the Old Bailey trial of Mr Michael Hunt, the Nissan UK director, who denies conspiring to cheat the Inland Revenue of £97m in corporation tax. Mr Sakagami denied knowing of the role played in the alleged fraud by Mr Friedrich Pannosch, an Austrian rail consultant. He is alleged to have opened a Swiss bank account into which about $200m in freight charges, allegedly diverted from Nissan UK, were paid.

When Mr Sakagami and two other senior Nissan executives met Mr Pannosch in Vienna for a weekend in early 1990, their purpose was simply to be taken for a sightseeing tour - not to "check out" Mr Pannosch because they knew he had opened the account, he told Mr Michael Sherrard QC, for Mr Hunt.

He denied earlier evidence by Mr Pannosch that the Nissan executives' trip had not been a cultural tour of the city and that they had spent 20 hours a day pumping the Austrian with endless questions about his business.

Throughout the weekend, the Nissan executives had only asked questions about Austrian history and painting, he said. He had been so tired that, as Mr Pannosch drove them round the city, he had often fallen asleep, he said.

The trial continues today.

Leading cargo company trains substitute workers

A SUBSTITUTE labour force has been trained to take over at Southampton Container Terminals, Britain's second biggest cargo-handling company, in the event of a strike over cost cutting, the Transport and General Workers Union claimed yesterday, Robert Taylor writes.

The company has told the union that it intends to make a third of its 500-strong workforce redundant and introduce contract casual labour.

The union claims up to 80 substitute workers have been trained by Bahamas-based Drake International and are being paid £175 a week on three month contracts to stand by at home in Southampton.

Mr Denis Harryman, a union official in Southampton said Mr Bruce Dawes, the company's managing director had told him the substitute workforce was an 'insurance' for Southampton Terminal Containers, whose main shareholders are Associated British Ports and P&O.

The company yesterday refused to comment on the allegations but said in a statement overcapacity and the need for cost savings required "more flexible working and increased productivity but at significantly lower cost".

Government contemplates life after Maastricht

Philip Stephens assesses the impact of the Danish vote on the Tories

THERE IS life after Maastricht. Denmark's endorsement of the treaty has provided the occasion for predictably jubilant talk among UK ministers about lines now drawn under a dismal past, the promise of new beginnings. They half believe it. They will be more convinced when they can see also life after the expected cabinet reshuffle.

With the bulk of the opposition Labour party abstaining, the government is promised a comfortable majority when the third reading of the Maastricht bill wraps up its tortuous progress through the House of Commons today.

In spite of the promised thunder in Britain's upper chamber, the House of Lords, from Lady Thatcher and Lord Tebbit, the finishing post is now in clear view. The court cases threatened by the Eurosceptics may prove more of a nuisance than the government will admit. So too might action in the European Court to challenge the validity of Britain's opt-out from the social chapter.

But barring unexpected accidents – an essential caveat when writing about the present government – by the end of July Britain should have caught up once again with its European partners and ratified the treaty.

The split in the Tory party over Europe will not go away. The arch-Eurosceptics have detached themselves from the Conservative mainstream. Sterling's exile from the European exchange rate mechanism means that the destructive choice between the slow and fast lines of European integration has been deferred not removed.

The DM/Franc link has survived everything the speculators have thrown at it. It provides the basis for a monetary union among the Community's core countries. Mr Major underlined yesterday there is no prospect in the medium term of the pound's return to the system. Those officials who remember the sterling crises which punctuated life before the ERM understand the risks of remaining outside.

The prime minister has more immediate problems. His own authority has been much diminished. His cabinet is deeply unsettled. His supporters are ready to be tipped into panic again by the threat – albeit at this stage slim – of defeat in the forthcoming Parliamnetary by-election in the Christchurch constituency.

The official line – that Mr Major is determined not be pushed into a reshuffle by the media – is either disingenuous or deeply misguided.

It is true that some national newspaper editors would be happy to claim the scalp of Mr Norman Lamont. The chancellor of the exchequer's sometimes aloof manner and his habit of writing nasty letters of complaint have left him few friends in the press.

But this time the pressure from the media understates the manoevring in the cabinet. If Mr Major decides against changes he will be ignoring the advice not of a majority of his colleagues. It must be assumed that Mr Norman Fowler, the party chairman, has told him so.

It is not a question of malice. Mr Lamont has been a shrewder chancellor than his public image allows. But in the words of a colleague, he has been at the scene of too many accidents.

Mr Lamont does not want to go. He sees no reason why he should be the scapegoat for the recession or for Maastricht. There are dark rumours that Mr Major's own role in last September's ERM debacle would not bear the scrutiny of Mr Lamont's memoirs.

The uncertainty is damaging the cabinet. Ministers are jostling for position in case Mr Major opts for wholesale changes.

Mr Kenneth Clarke, home secretary, has emerged alongside foreign secretary Mr Douglas Hurd as an independent force in the government. But the home secretary's habit of re-interpreting economic policy during early morning chat-shows has enraged Mr Lamont.

Mr Hurd is accused – unfairly – in Westminster of plotting against the chancellor while his protegé Mr Clarke bids for his job in the media.

Other relationships risk being soured by constant gossip speculation about who is on the way up and who might be on the way out. Mrs Virginia Bottomley's trouble-free year at the department of health has caused resentment against among less fortunate colleagues.

The right is asserting the candidacy of environment secretary Mr Michael Howard as chancellor.

Others, like Mr John Patten at Education have been unsettled by the inclusion of their names alongside that of Mr Lamont on reshuffle "hit-lists". The discord ripples down through the middle and junior ranks of the government.

It cannot make for good government.

Britain in brief

Labour party leader backs referendum

Mr John Smith, the opposition Labour leader, came down against a change in the way MPs are elected, but said a referendum on elections to the House of Commons should be a manifesto commitment at the next general election.

In a separate move, he reduced the prospect of a confrontation with the trade unions over their links with the party, by proposing that individual union members should receive full party membership for a reduced rate.

Mr Smith's comments contained comfort both for reformers, who believe the referendum will keep up momentum for change, and for those who want to keep the first-past-the-post system.

Treasury to cut dental care

The UK Treasury is pressing for effective withdrawal of the National Health Service from dental care and the scrapping of free prescriptions for all but the poor in its fundamental review of public spending.

The proposals – under consideration by a government Whitehall committee set up by Mrs Virginia Bottomley, the health secretary – foreshadow a fierce battle during the next few months as ministers prepare the government's spending plans for 1994-95 and beyond.

Guildford Four police acquitted

Three former police detectives accused of manufacturing notes of interviews with one of the Guildford Four – the alleged IRA bombers whose convictions were quashed in 1989 after they served 14 years in jail – have been acquitted of conspiracy to pervert the course of justice.

The three men, ex-Detective Chief Inspector Thomas Style, 59, ex-Detective Sergeant John Donaldson, 57, and former Detective Constable Vernon Attwell, 52, were accused by the prosecution of lying on oath that notes of interviews with Patrick Armstrong were contemporaneous when they had been compiled later from rough notes.

In the interviews Mr Armstrong confessed to planting a bomb in the Horse and Groom pub, Guildford in October 1974, in which five people died and more than 50 were injured.

Their convictions were quashed by the Appeal Court in October 1989 after hearing how investigating police officers had altered notes of interviews, suppressed significant material and given false evidence at their trial. The acquittal of the three former officers provoked an immediate outcry from the Guildford Four and their lawyers.

Recession hits travel costs

The recession has forced two-thirds of small UK businesses to cut the cost of employee travel to Germany, according to research by Equator, a market research subsidiary of Saatchi & Saatchi.

Mr John Boulding, managing director of GTF Tours, the UK-based company which commissioned the research, said 80 per cent of the 100 businesses surveyed now used three-star hotels. Mr Boulding, whose company specialises in travel to Germany, said two-thirds of the companies, whose turnover ranged from £300,000 to £13m, relied on cheap fares, including charter flights, when managers flew to Germany.

Awards for FT

Financial Times journalists yesterday won two of the top honours in the British Press Awards. Reporting Team of the Year went to the Maxwell Investigation team of Bronwen Maddox, Jimmy Burns, Raymond Snoddy, Andrew Jack, Norma Cohen, Hugh Carnegy, Ian Rodger, Leyla Boulton, Alan Friedman, Richard Gourlay and Robert Peston.

The judges said the newspaper's reporting of the Maxwell story was "a blistering worldwide effort which will remain the definitive newspaper investigation". Raymond Snoddy also won The Chairman's Award: being described as "a consummate professional...his stories move share prices and shatter boardrooms".

MANAGEMENT: MARKETING AND ADVERTISING

Power of private labels

In public, many manufacturers of branded products still treat retailers' private-label rivals with disdain. Yet, in the UK at least, private-label production has become so big a business that few companies can afford to turn up their noses.

A recent survey* by Conzept International, a branding consultancy, of 200 UK-based consumer goods producers – half of them in the food and drink industry – finds that fewer than a fifth derive less than 10 per cent of their total revenues from private-label manufacturing.

Forty-four per cent of the companies said the business provided at least 40 per cent of their revenues. Fifty-eight per cent said it was a bigger share of their total sales than five years ago. The main reason for private-label manufacturing, mentioned by 30 per cent of companies, is to provide greater security for continuing sales revenue, while 27 per cent cited the opportunity to cover fixed costs.

The companies divided almost equally between those for which private-label business consisted of producing cheaper copies of branded products or basic products at the lowest possible price and those which aimed to make unique products.

The survey underlines how far private-label business gives retailers the whip hand in marketing decisions which manufacturers of branded products have traditionally controlled. It finds retailers are more important than manufacturers in controlling retail prices, advertising and promotion, packaging and design and the size of product ranges. Manufacturers still wield more control than retailers in the areas of distribution, delivery and product programming.

Three-quarters of private-label manufacturers said their most important market was the UK. But 18 per cent said it was western Europe – which 48 per cent named as their second most important market.

Guy de Jonquières

**Conzept International, Riverview House, London W6 9AR. Tel: 081-748 7874*

Neil Buckley and Ian Rodger look at the European expansion of Swiss retailer Migros

Sticking to the border

Crossing borders has become second nature for many businesses, but not for retailers. Companies that have exported a successful retailing formula are few, while the list of failures, including the UK's Marks & Spencer in Canada and France's Printemps in Japan, is depressingly long.

Now, a new generation of retailers is trying again. Last December, Tesco of the UK bought the 92-store Catteau chain of supermarkets in northern France. Two months later, Kingfisher, the UK retailing group, acquired Darty, France's largest electrical retailer. Ahold of the Netherlands, Aldi and Tengelmann of Germany, and Promodès and Carrefour of France are among those which have built up the proportion of their sales in other European markets to more than 30 per cent.

The latest to join this trend is Migros, one of Europe's most powerful retailers, but up to now active only in Switzerland. A federation of 12 co-operative societies, the company is building supermarkets in France and Germany and is committed to taking a leading position in the Austrian grocery market.

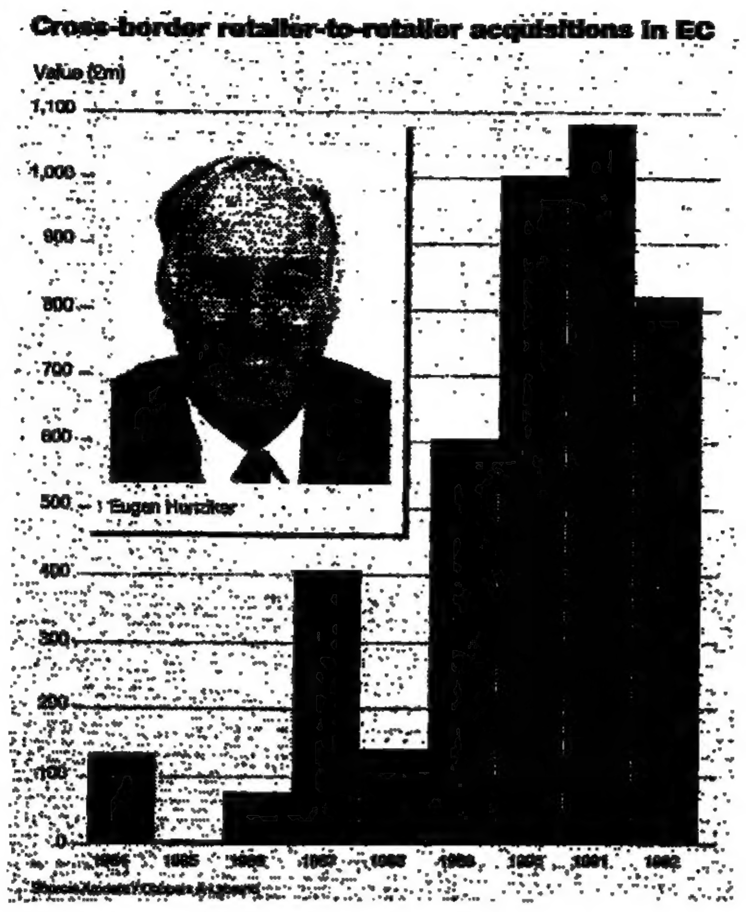
Its progress will be watched closely by other European retailers, after its large success in Switzerland, where it has 23 per cent of the food market. It buys more than 20 per cent of Switzerland's annual agricultural production and, in line with its founder Gottlieb Duttweiler's policy of reducing prices by cutting out the middleman, it manufactures about a third of what it sells in its own factories.

Moreover, its method of expansion may prove a model. Having carefully studied the failures of others, Migros believes the key to success, in food retailing at least, is to stick at first to the regions around one's home base. It also decided not to open its own stores in Austria, but rather to form joint ventures with existing local retailers.

Eugen Hunziker, president of the Migros federation, acknowledges the biggest mistake most retailers have made in cross-border ventures has been underestimating the differences from their home market. Successful retailing involves delivering the right goods and services to the local customer. But differing tastes, cultures and climate mean the demands of customers vary considerably in different parts of Europe. Moreover, different legislation in areas, such as opening hours, planning restrictions, VAT and minimum wages, can make operating conditions very different in foreign markets.

Even within the US where there are no significant linguistic or cultural borders, national retailers, such as Safeway and A&P, have been unable to keep pace with regional specialists, argues Hunziker.

Cross-border retailer-to-retailer acquisitions in EC



The challenge, he says, is defining which regions belong together. Switzerland, for example, has three cultures clearly separated from one another. Yet Migros succeeds in all, by carefully targeting its products and offering them at aggressive prices.

Migros management knows its supermarkets are appreciated beyond Switzerland's borders. German, Italian, French and Austrian consumers regularly cross the border to shop in its stores.

Besides awareness of the potential pitfalls, Migros' cumbersome democratic decision-making process within the co-operatives had previously acted as a brake on cross border expansion.

But the pressure has now become irresistible. The group has limited potential for growth at home and needs more outlets for its manufactured products, including confectionery, pasta and hygiene products, if it is to remain competitive.

With the creation of a single market in the European Community it looked as if expansion into neighbouring countries could be approached gradually and painlessly. Migros first dipped its toe in the water last year, launching two supermarket projects in the French suburbs of Geneva and another in a German suburb of Basle.

Then in December a majority of Swiss voted against joining the European Economic Area (EEA), an expanded free-trade zone with the EC. That meant that exporting from Switzerland would continue to be difficult and the group would need a secure base somewhere within the EEA. The obvious solution was to go to Austria. Austria will be a member of the EEA as well as having easy trade relations with Switzerland through the European Free Trade Association.

In March, Migros made a series of deals that would give it access to about a quarter of the Austrian grocery market at a cost estimated by outside analysts at more than SFr200m (£88.4m). It acquired the chain of 112 Familia supermarkets based mainly in the western Austrian province of Vorarlberg from the Zumtobel group. It then formed two joint ventures with Konsum, Austria's largest supermarket chain.

One venture, in which Migros will have a 75 per cent controlling interest, will manage the Familia supermarkets and Konsum supermarkets in Vorarlberg. It will have estimated sales of SFr200m and employ around 1,500 people. The other, in which Migros has only a 25 per cent stake, brings together 78 Konsum supermarkets throughout Austria and the Familia shops outside of Vorarlberg. It would have annual sales of Sch12bn (£690m) and employ around 4,000 people.

Even expanding reasonably close to home, though, can lead to complications. News of the joint ventures provoked an outcry from Austrian trade unions, which claimed Migros' policy of manufacturing so much of its own goods would mean the loss of thousands of jobs in Austrian manufacturing.

Hunziker dismisses the idea that Migros is going to divert Konsum and Familia's existing supply and distribution networks to its Swiss sources, although it is analysing the Austrian stores in detail to see which of its own products it can sell, and how it can best take advantage of its international procurement potential.

"We didn't go into Austria on our own, but looked for co-operation. We can't transfer Migros philosophy and policy wholesale. The Austrians will tell us what we can and cannot do," he says. With that type of attitude, Migros may stand a better chance than some of its precursors of making a success of its cross-border ventures.

River-to-river saleswomen

Avon is selling its cosmetics in the Amazon, writes Christina Lamb

Sending bands of women in kayaks down the tributaries of the Amazon to sell lipstick and face creams to remote communities would seem to be taking the concept of direct sales to the extreme. Particularly if the communities do not use money and can pay only with barter goods such as fruits, eggs, wood or nuggets of gold.

Yet this is one of the creative methods used by the Brazilian subsidiary of Avon, the US cosmetics giant, to make its products available throughout the country's vast hinterlands and to maintain sales over the past three years of recession.

As a result, Avon has become one of the few Brazilian companies to see sales rocket as per capita income has dropped 10 per cent.

Ademar Serodio, president of Avon Brazil, explains: "Research showed us that, even in a crisis, there is always consumption.

"Our problem was to make people who had less money consume more."

His plan to widen the sales net did not convince his head office, nor, indeed, some of his employees. They believed cosmetics sales would be among the first products to suffer in a deep recession and the company should adjust to a smaller market.

After a six-month struggle, Serodio's masters caved in, agreeing in March 1991 to boost the sales force by 50 per cent and launch a series of new products. The decision was a success, turning the Brazil operation into one of the company's most profitable worldwide and the largest cosmetics company in Latin America.

Sales rose from 180m units in 1990 to 220m last year. This year, revenues are expected to reach $480m (£317.8m), against $350m in 1990. The workforce has increased 10 per cent and the factory is operating at full steam, compared with an idle capacity average for Brazilian industry of 30 per cent.

To achieve this, and increase the sales force, Serodio boosted the number of sales catalogues to 1.2m, which he estimates are seen by 30m people.

This is a costly operation in Brazil, where high inflation means the catalogues must be reprinted every 19 days, while the estimated inflation rate is factored into the sales price to cover the grace period for payment. Simply issuing new price lists did not work, says Serodio, explaining: "The catalogues are an essential tool of our salesforce in creating trust."

Serodio also radically changed the system of incentives for sales people, who work on 30 per cent commission. Rather than, as in the past, reward the people who sell most, prizes now go to those who most improve their own performance. Serodio explains: "Under the old scheme, it was always the same people who won, so it ended up not being an effective incentive."

The Amazon sales are a result of a new flexibility to adaptation to local conditions and the logistics problems of door-to-door sales in a country larger than western Europe.

Serodio admits he is not sufficiently familiar with the currency of the Amazon to judge how many breadfruit one needs to buy a lipstick or how many blushers to a nugget of gold. But, having paddled back to Amazonian towns, his sales women exchange the barter products for money and then pay Avon.

As a result, today in Brazil the Avon name may be known in places where even the usually ubiquitous Coke has not penetrated.

Serodio explains: "There is a cosmetics market everywhere, however peripheral the place. Cosmetics are not superfluous products, but a necessary part of a woman feeling good and being accepted by society."

He points out that, when Avon opened a sales office in the poor north-eastern state of Bahia in 1970, analysts claimed that the local per capita income was too low for the purchase of cosmetics.

Yet the São Paulo factory was soon filling truck loads of products bound for the interior of the state – one of the poorest parts of the continent.

Serodio says: "I didn't believe it. It countered all my training as an economist. So I went there and I found all these really poor people living in mud shacks yet buying cologne in crystal bottles.

"It turned out that they saw them as a status symbol."

TECHNOLOGY

By next year, British Gas engineers working with west german companies will have converted east Germany to natural gas

Modern methods in the pipeline

British Gas engineers are revolutionising east German home energy provision, writes **Deborah Hargreaves**

Graham Moore started working on converting Leipzig in east Germany from manufactured, dirty town gas to natural gas 25 years to the day after he began the process in Burton-on-Trent in the UK.

While it took four years to convert Britain to North Sea gas, Moore hopes that, by next year, he and teams of British Gas engineers working with west German energy companies will have finished converting east Germany to natural gas from Russia.

"We had more information about our customers when we started the conversion in the UK than we have here now," says Moore, who is a director of two regional distribution companies in east Germany: Gasversorgung Sachsen-Anhalt (GSA) and Gasversorgung Leipzig (GvL). "We need to do 10 years' worth of improvements here in two years."

British Gas engineers are helping to extend the east German gas grid into rural outposts, while marketing colleagues try to convince east German distribution companies to adopt a friendlier approach to customers.

British Gas has won 25 new contracts to revamp the east German gas business this year following its acquisition of stakes in the two distribution companies two years ago. Along with west German energy partners, British Gas has run the two distributors since they were privatised by the Treuhand agency.

British Gas has invested DM70m (£28.4m) developing the two gas companies and plans a further DM30m until 1997. Its German subsidiary expects a turnover of DM30m this year – double last year's level of DM12.5m – and wants 50 per cent growth next year.

A priority for the distribution companies is to update the local gas grid so that natural gas from Russia and elsewhere can be carried to replace the manufactured town gas. British Gas has also taken a strategic 5 per cent stake in Verbundnetzgas, the east German gas transit company which carries Russian gas to local distribution companies.

Moore's experience of converting the UK to natural gas is vital in setting targets and priorities for the east German companies. British Gas has introduced computer technology that helps with the planning of gas networks and pipeline routes. This helps estimate the costs for a specific project.

One of the main tasks of western managers in the east German gas companies is to establish priorities. "We've got to decide where we're going and how to get there. We agree that conversion from town gas comes first, and then we work on extending the network," Moore says.

The company plans to complete conversion to natural gas by the middle of next year. Initially, the utilities expected the conversion process to take until 1996, but the better organisation and focus that has come with western planning methods has meant it can be completed two years earlier.

A system of cost-accounting – highlighting for managers where they are spending money and where they need to cut costs – has helped east German companies target their investment. Once projects get under way, British Gas can offer the cost-saving technology it has used on similar work in the UK. The company is also using its swage-lining process for plugging leaks in the cast-iron old pipes – lining the old ones with a plastic skin without taking the pipes out of the ground.

UK contracting companies, such as Steve Vick, are moving into Germany to carry out work for British Gas. Steve Vick is using a rotamole system of boring underground to lay gas pipes, which is cheaper and quicker than digging up roads and causes less upheaval.

British Gas has also developed technical improvements to the way it digs trenches for laying pipe. With equipment such as a rock-wheel, mole-plough and chain trencher, the company has speeded up its trenching operations. The rock wheel, which has teeth that dig into the road surface, can lay pipes at up to 200 metres in an hour.

The company's efforts to link new parts of east Germany to the gas grid are being rapidly outstripped by demand. Moore explains how British Gas is able to tap into a vast unsatisfied demand for gas supply, adding around 15,000 new customers a year and converting 125,000 customers to natural gas last year.

"The inquiry level is unprecedented, especially compared with the UK, where we have to give up market share." British Gas is being forced by its regulators to shed part of its market in the UK to encourage the development of competition.

The company has tried to win new customers by overhauling the east German approach to customer service. One of the hardest tasks has been to convince their east German colleagues that customers have a right to know what the companies are planning to do and when.

"Part of our marketing drive has been to create a positive image for natural gas by stressing its environmental advantages over town gas and brown coal," says Paul Roberton, planning manager of distribution and transmission at GSA.

Natural gas is cheaper for customers who use it for heating, but slightly more expensive for those using it just for cooking. But there is a high degree of awareness about the environment in east Germany and a lot of interest in environmentally friendly products.

"Before, all the east Germans could do was to fend off demand for gas – you could only get a supply by queueing at the energy ministry for hours and proving you had special needs, such as lots of children, or worked shifts," says Moore. "Customers are amazed to see us coming to their villages with a mobile office and information packs about what we're going to do and when."

Kevin Brown looks at an Australian company which may have a solution to a three-dimensional challenge

A different angle on an old problem

In the arcane world of imaging techniques, there is no shortage of researchers trying to crack the problem of producing three-dimensional images which can be seen on a flat screen without the aid of special glasses or visors.

Most of the big electronics companies have investigated the problem and several techniques are being developed. All share a crucial problem, however – the image disappears or is impaired if the observer changes position.

The "sweet spot" problem restricts the potential of such systems to single-user applications such as computer-aided design, in which the screen is viewed from a consistent angle by an operator who does not move around.

So far, the challenge of developing a three-dimensional system which can be viewed from any angle in front of the screen and, therefore, by large numbers of people watching from different angles, has defeated all comers. However, a small Australian company called Trutan has produced a potential solution which is regarded as promising by imaging experts at IBM, the US computer company.

Trutan is an unlikely source of technological innovation. The company is a joint venture between Arnotts, an Australian biscuit company, and Biceku, a family company controlled by Donald Martin, a Sydney businessman.

In true inventor style, most of the development work has been carried out in a couple of cramped rooms on an industrial estate in suburban Sydney by Martin and Bjorn Olsson, a Swedish-born film technician.

Neither has a background in imaging technology, although Martin stresses that some of the technical work was carried out by academic researchers at universities in Cambridge, Melbourne and Brisbane.

Martin says he stumbled across the three-dimensional imagery system almost by accident while trying to develop a large-scale projection system for use by Arnotts in the kind of entertainment simulators now appearing in suburban shopping malls.

So far, only one prototype has been constructed and that suffers from technical defects – principally a lack of brightness – which make the image appear dull and slightly fuzzy. Yet imaging experts who have seen the prototype have been impressed by its potential. James Lipscombe, an IBM researcher who specialises in stereoscopic imaging, says its defects are minor and easily solved.

Martin says his research into visorless, three-dimensional suggests that most researchers since the war have concluded that the idea was "about as feasible as perpetual motion". But a post-war French researcher called François Savoie invented a mechanical contraption called a cyclostereoscope

In true inventor style, most of the work has been done in a couple of cramped rooms on an industrial estate in suburban Sydney

which produced partial three-dimensional images over a small angle of view.

Savoie's machine consists of a vertical axle with a wheel at each end and a series of vertical strips fixed to the rims of the wheel. A small screen is placed inside the ring of strips, on to which a pair of slide projectors project separate left and right images. The photographs have to be taken with a double lens camera – not in itself a technical problem.

When the machine is rotated, the vertical strips form a moving grid in front of the screen which separates the image into alternate left and right images, replicating normal stereoscopic vision. Martin's "improved" version of the cyclostereoscope produces a three-dimensional image with a near 180-degree angle of view. However, the image is weak, and is distorted by the moving grid, which remains visible in front of the screen.

This problem is reduced when the image is viewed on a flat-screen computer monitor situated behind a liquid crystal display screen – effectively an electronic version of the cyclostereoscope. The computer is programmed to display left and right views of slides in segments which are viewed through a series of oscillating parallel bars on the LCD screen which match the segments on the computer monitor.

The LCD grid oscillates at a rate which makes it invisible to the observer while directing the left and right images to the correct eyes, producing the three-dimensional illusion. It does work, at least with static images. Martin claims the system could be adapted for use in broadcasting.

However, the company says the technical limitations of the present video standard impose problems that are impossible to overcome – chiefly, a noticeable flicker caused by the frame rate (the speed at which image frames succeed each other on screen). This happens because of difficulties in blending the left and right images and the oscillating grid when the image changes. Research indicates that even high-definition television systems, which use a higher frame rate than existing broadcasting systems, would suffer from some degree of flicker.

Two possible solutions have been identified: restricting the system to specialised, custom-made units with frame rates at least double the existing standard; and developing a special monitor incorporating the LCD grid in the screen.

In the meantime, the company claims several Australian companies are investigating possible industrial applications for the system, such as remote control of mining vehicles in dangerous areas.

However, Martin says the shortage of development capital in Australia means the technology is likely to be sold to an overseas company for further development.

PEOPLE

Boleat's pro-active stance for the insurers

Mark Boleat, (left) who has won plaudits throughout the industry during his seven years as director-general of The Building Societies Association, will be lending his voice, from August, to an entirely different industry as director general of the Association of British Insurers.

He says that after 20 years at the BSA he felt it was time to move on, the attraction of the ABI being that it represented an opportunity to speak for "a more complex industry" and to wield a budget six times as large.

"I didn't want to be stuck being known as someone who can do one thing only" remarks Boleat, who has in the past been assumed to harbour national political ambitions.

Indicating that it wanted a fresh approach to try and put behind it a string of public relations disasters, the ABI engaged headhunters to find its first director general. Boleat explains "they want a much more pro-active stance, with the ability to anticipate developments a bit more, rather than just being responsive".

Mike Jones, who joined the Life Officers' Association in 1968 and who has been chief executive of the ABI since 1987, says he is leaving, "looking for fresh woods and pastures new."

Boleat, 44, reckons his biggest achievement at the BSA and the Council of Mortgage Lenders, of which he has been director general since 1989, has been "to help make it the most effective trade body in the financial services industry". "We have helped to create the right regulatory and prudential framework for building societies. It is remarkable that despite [the problems in the housing market] the societies have come through a bit battered, but intact." Analysts said that, while he could appear arrogant, he had "worked like a dog for the industry".

"There are a huge number of regulatory issues, many of which will be identical at the ABI, notably the establishment of the Personal Investment Authority" Boleat adds. At the same time, he acknowledges that the interests of the 450 members are much more diverse, with general and life companies often having directly contradictory agendas.

In his new role he may also find himself doing public battle - where the interests of insurers and building societies diverge - with his former colleague Adrian Coles (right) who steps up from the position of head of external relations to succeed him at both the BSA and the CML. Coles has already won himself plenty of friends - "quieter but with an intellectual credibility second to none" was the comment of John Wriglesworth, housing analyst at UBS.

■ John Jackson, operations director of the Body Shop, the natural toiletries and cosmetics group, has left the company after five years.

The company said yesterday there was "no drama and curiosity" in his resignation, which did not result from any disagreement. It said Jackson felt he had achieved all he could with the company, and was looking for new challenges, perhaps in the shape of a chief executive's position - a post that is not vacant at Body Shop. Jackson was not available for comment.

Jackson joined Body Shop from Chesebrough Pond's, the cosmetics subsidiary of Unilever, in 1988. He has been closely involved with the reorganisation of the Body Shop into seven distinct divisions - comprising UK, US and worldwide retailing, and the company's production and warehouse operations, soapworks, make-up and cosmetics divisions - which was completed last autumn. Body Shop said Jackson would continue to work with chairman Gordon Roddick on the Big Issue, the magazine whose proceeds go towards helping the homeless.

■ Lord Rees-Mogg, editor of The Times between 1967-1981 and recently making his own headlines with his critique of prime minister John Major's performance, is going onto the board of International Business Communications as a non-executive director.

IBC, which runs conferences and publishes newsletters, saw its shares dive to 1.6p at the end of 1990. "We are quite pleased that the price has now climbed to 8½p" says chief executive Peter Rigby.

But why should Lord Rees-Mogg, who sits on the board of GEC, be interested? "He runs his own newsletter [Strategic Investment]" Rigby replies "and he takes an interest in newsletter subscription publishing".

IBC's chairman was Sir Roy Watts, the former chairman of Thames Water who died suddenly last month. The company says it is looking for a new chairman, but that Rigby will assume the position temporarily.

■ David Gibbard, previously commercial director of SOUTH WALES ELECTRICTY, is to become operations director. He will be succeeded by **Michael Mackey**, who was power supplies manager.

Byron Samuel, the current operations director, is retiring at the end of July.

Financial Moves

Brian Pearse, chief executive of Midland Bank, yesterday became the President of the Chartered Institute of Bankers. Pearse succeeds Sir Jeremy Morse, who recently retired as chairman of Lloyds Bank.

Pearse has spent most of his 43-year banking career at Barclays, before moving to Midland in March 1991. He has overseen Midland's merger last year with HSBC Holdings, parent of Hongkong Bank.

The Chartered Institute is in the process of merging with the Chartered Building Societies Institute.

■ **Tamaki Tsuchiya**, formerly head of capital markets trading in Tokyo, has been appointed chief executive of SANWA INTERNATIONAL in succession to Shuzo Arai who is returning to Tokyo.

■ **Steve Caines, Bill Stoops, André Marini and Geoffrey Barker** have been appointed directors of BARING SECURITIES GROUP.

■ **Gustav-Friedrich Prinz zu Salm-Horstmar**, a former md of Chase Investment Bank, has been appointed executive director and head of the London branch of BANK von ERNST & Co.

■ **Toshio Morikawa**, formerly deputy president, is to become president of SUMITOMO BANK Ltd; *Sotoo Tatsumi*, formerly president, becomes chairman and director.

■ *Lynn Dukes* is promoted to chief executive operations and finance of BZW.

■ **Luke Ponsonby, Robert Pickering and Charles Bishop** have been appointed partners of CAZENOVE & Co.

■ **Javier Salaverri** has been appointed a director of J HENRY SCHRODER WAGG & Co; he moves from Banco Central Hispano.

■ **Heinrich Gattineau** has been appointed an md of TRINKAUS MONTAGU, the joint venture between Trinkaus & Burkhardt and Samuel Montagu.

■ **Tim Barker**, deputy group chief executive, has been appointed a vice-chairman of KLEINWORT BENSON GROUP; **Rab Harley**, head of operations, is appointed to the board.

■ **Michael Sweeney**, director of the capital markets division, has been appointed head of treasury in London for BANK OF IRELAND.

■ **Michael Clarke** has been appointed joint general manager with responsibility for international finance and syndications at FUJI BANK in London. He was previously assistant general manager.

Cinema/**Stephen Amidon**

A cut in the wrong direction

When it was first released in 1989, *The Abyss* was a half hour away from being a very strong movie indeed. Its writer and director, James Cameron, seems to have realised something was amiss and has now used the clout he has garnered from making *Terminator 2* to have the movie released in a Special Edition, or Director's Cut. The idea is that the decision of his studio's marketing people to alter the film to make it more audience friendly is thereby reversed. Unfortunately, Cameron's final version is a half hour *longer* than the original, when what the film always needed was to be a half hour *shorter*.

THE ABYSS: SPECIAL EDITION (12)
James Cameron

NOWHERE TO RUN (15)
Robert Harmon

PASSENGER 57 (15)
Kevin Hooks

I WAS ON MARS (15)
Dani Levy

For those who missed it in its first incarnation, *The Abyss* portrays a group of likable redneck divers whose underwater oil rig is commandeered by the US Navy to rescue a sunken a nuclear sub. Matters are complicated by the fraught marital relationship between the chief divers (Ed Harris and Mary Elizabeth Mastrantonio), the insanity of the Navy commander (Michael Biehn), a looming hurricane, encroaching Russians and, finally, a colony of underwater aliens. It was the last ingredient that ruined the recipe the first time around, transforming what might have been a taut, sweaty adventure flick into ludicrous fantasy feature.

Unfortunately, Cameron's new version expands on this very aspect of the film, further padding out his picture with a tendentious morality play in which World War III is averted by these squishy ET's when they unleash giant tsunamis on the Super Powers to make them put their nuclear weapons away. The resulting blend of dated and simplistic Cold War politics, overwhelming special effects and sentimentality thoroughly undermines the two hours of skillful action and suspense that preceded it, forcing one into the rather alarming conclusion that those chop-happy studio executives might not be so purblind after all.

Cameron's special edition also calls into question the whole recent trend of Director's Cuts, which, with the exception of last year's restored *Blade Runner*, seem to be little more than yet another way Hollywood is trying to have its cake and eat it too. After all, filmmaking is a collaborative process. What does the future hold – Actor's Cuts? Cinematographer's Cuts? The only thing you can be sure of is that the studios and the producers will certainly be getting *their* cuts, both times around.

If there were such a thing as an Audience Cut, *Nowhere to Run* would be five minutes long. One minute for the amount of time Rosanna Arquette spends naked, the other four devoted to Jean-Claude Van Damme as he ruptures the spleens and deviates the septums of various baddies with his vaunted martial arts. As for the remainder of the film, it is hard to see who the makers had mind as potential viewers when they consigned it to celluloid.

The plot, such as it is, has Van Damme playing an escaped con who holes up on the farm belonging to a noble widow (Arquette) being threatened by greedy real estate developers. After the obligatory rocky start to their relationship, Van Damme and Arquette soon fall into the sack and then join forces to see off the bad guys.

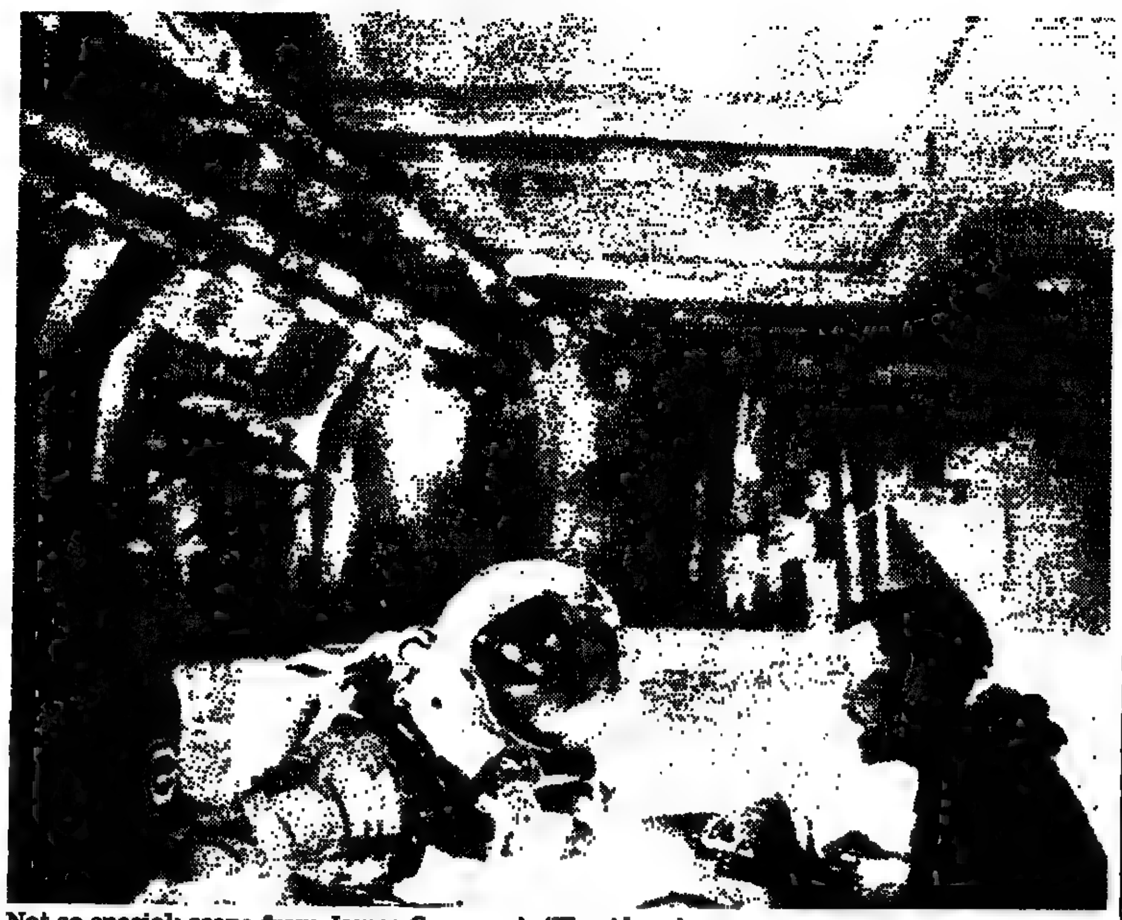
Nowhere to Run is the latest step in the effort to domesticate the Belgian Bruiser. As such, it is a resounding failure. Unlike Schwarzenegger or Willis, Van Damme is utterly lacking in charisma, his bland stoicism failing to suggest anything other than, well, bland stoicism. He is unable to humanise his macho antics with the sort of self-deprecating wit needed to break free of the straight-to-video category. To makes matters worse, his toned down and surprising lacklustre fighting here should prove a disappointment to his regular core of fans. And as for Arquette, it is sad to see this once promising actress reduced to playing little more than béarnaise sauce to Van Damme's slab of beef.

It is easy to see why a video star wants to go upmarket. What is harder to figure out is why the fine film actor Wesley Snipes wants to travel in the opposite direction. After a series of roles that put him well on the way to becoming one of the most popular black leading men of all time, Snipes finds himself up in the air in *Passenger 57*, a hackneyed action movie that might have given even Van Damme pause.

The story has Snipes playing a former cop turned airline security consultant who locks horns with a "sophisticated British aristocrat" (Bruce Payne) who also happens to be a lunatic with a penchant for blowing up 747s. What results is so laughably ill-conceived that you keep on expecting Snipes's agent to burst out of one of the hijacked plane's toilets and force the whole thing to make an emergency landing. Unfortunately, it keeps on going right up to the bloody finale, in which, ironically, Snipes fights with far more aplomb that the new model Van Damme.

I Was on Mars is the story of Silva (Maria Schrader), a young Polish woman who arrives in New York with plenty of dollars but apparently little in the way of motivation or common sense. She wanders aimlessly about the city for a few days, only to be relieved of her cash by Alio (Dani Levy), a slick con man with a line of patter only someone fresh off the boat could buy. Not one to take this sort of thing lying down, Silva decides to pursue Alio, soon involving herself in his bizarre existence and exacting a subtle yet telling revenge.

Fans of *Stranger Than Paradise* and *Johnny Suede* will find themselves on familiar turf here, though the film lacks the bizarre sublimity of those two efforts. Director Levy has a wonderful eye for detail – Silva carries an iron in her briefcase but only one change of clothes, while Alio garnishes his cocktails with Twinkies. And Schrader's Silva is a memorable creation, a woman who uses passivity as a weapon more effective than anything the men she finds herself among can employ. But the film fails to establish a consistent comic pitch, undermining its fine observation and characterisation with an unevenness worsened by tendency to indulge in weirdness for its own sake.



Not so special: scene from James Cameron's 'The Abyss'

Opera/**Andrew Clements**

The Makropoulos Case

David Pountney's staging of *The Makropoulos Case* seems to have been in the repertory of one or other of the British companies ever since it was first seen in Glasgow 12 years ago. It has come back to Scottish Opera now to end the company's season. Sally May has directed the revival, John Mauceri conducts his last show as Music Director. A production that was for so long dominated by Josephine Barstow's Emilia Marty now has Kathryn Harries in the central role, and it is she who finally makes the evening a truly memorable one.

Certainly the early indications were not auspicious. There is something rather tired-looking now about Maria Björnson's designs, which conceptually seem already to have been consigned to a departed age of opera production, though whether that feeling is fuelled by nostalgia or hard-headed realism is difficult to determine. In the opening scenes too the show itself seemed rather over extended, as if this were one revival too far; it took a while for the direction to establish itself, for the playing to cohere and for what turned out eventually to be some very well observed characterisations to make themselves felt.

Most surprising was Mauceri's lack of assertiveness in the first act. The orchestral playing sounded tentative, only hanging on to Janáček's exposed lines by the skin of their teeth. It was not until the conductor began to relish the tendrils of Straussian lyricism which buoy up the confrontation between Emilia and Prus at the climax of the second act that his part in the performance began to matter; from there to the end of the opera he provided a surging, vivid orchestral canvas.

Ms Harries too only gradually took charge. She certainly needed to pace herself for the challenge of the last act, but nevertheless seemed rather reticent through much of the first, often masked by the orchestra (which, a sign of insecurity perhaps, was consistently too loud) and swallowing her words. Thereafter she was transformed, wonderfully vivid in the sharpfire exchanges of the second, mingling flashes of fierce temper with glimmers of the vulnerability that would make the final scene deeply affecting.

Instead of the Barstow hauteur Harries offers a feckless disregard and an absolute lack of moral centre. That is tempered by a sweetly turned sense of comedy – wonderful drunk acting! – which seems a new element in her stage persona. All the while the vocal lines gradually gain steadily in power and authority, the tone colour deliciously varied, and the cruel extremes of the last act were all handsomely negotiated.

The gallery assembled around this fascinating portrayal had their own individual strengths. Nigel Robson's bumbling Gregor suffered most from the over strenuous orchestral playing early on but gradually established the character in rich detail, Donald Maxwell's Prus was authoritatively grasping and manipulative from the start, with exemplary diction. Nigel Douglas contributed a typical Hauk-Sendorf, Stephen Bennett a convincingly uptight Kolenaty; there a nicely turned Dresser from Margaret Izatt, a usefully gormless Janek from Iain Paton. Any *Makropoulos* production, though, finally stands or falls by the strength of its Emilia Marty, and in this case there is no doubt of its success.

Theatre Royal, Glasgow; further performances May 22, 25, 27; then on tour to Aberdeen, Edinburgh and Newcastle

Recital/**David Murray**

Von Otter and Tan

In the Wigmore Hall on Tuesday, Anne Sofie von Otter sang Haydn, Mozart and Schubert to Melvyn Tan's "fortepiano" (a modern copy, I think). The hall was packed, of course: this young mezzo is nowadays a universal favourite, and Tan is the man to persuade us that period *Lieder* – from, say, Schumann and Loewe back – are best accompanied on a period piano. At the end, nevertheless, when Miss von Otter was cheerfully guying both her Haydn encores, the recital seemed to have been less than the sum of its parts.

She was in lustrous form. There are voices that sound best in the Wigmore simply because they do not carry as well in larger halls, and other, grand-opera ones that need to be kept on a tight leash. Von Otter's is one of the lucky few that can sound unstintedly vital and vibrant there, and still listener-friendly. Her programme culminated with Haydn's "Ariadne on Naxos" cantata, which she delivered as a towering dramatic *scena*: certainly it bounced off the back wall, and yet it left no bruises on the ear.

Earlier she had delivered Schubert's "Erlkönig" with comparable force and intensity – though the tiny, wheedling voice she adopted for the erl-king himself was too much of a conscious trick. The real revelation of that performance was owed to Tan: *viz.* that a "fortepiano" can do its brilliant utmost with Schubert's desperately taxing accompaniment, where a pianist with a modern grand can never afford to let rip for fear of drowning out the singer. What that illustrated was no quaint, trivial advantage for the old-style instrument (such as every great song-composer until Wolf and Debussy had in his mind's ear), but a serious modern challenge.

If fearsome problems of balance in many *Lieder* simply evaporate when the right kind of piano is in play, why should we go on assuming that for general purposes there is no alternative to the 20th-century grand? Pianists will say: with the big hi-tech instrument, we get subtler note-by-note control of the sounds we make. But before Wolf and Debussy, do they *need* such hyper-refined control?

Von Otter's other best Schubert was the little "Romance" from *Rosamunde*, delivered with lovely simplicity, along with the Gothic narrative of "Der Zwerg" (a newly popular rediscovery). Though never far below her best, technically she slipped more often than she needed to – as did Tan. In Mozart she scored several near-misses on quick springs to high notes, just as Tan let his fluent fingers skitter over too many of Mozart's notes, and even sometimes the basic beat.

His solo offering, Haydn's A-flat Sonata (no. 31, by the Robbins Landon count), was too bonelessly pretty and unstructured to make its proper mark, and his rhythmically wayward reading of Schubert's "An die Musik" was less pointful than just fitful. Though most of his accompaniments were brighter than that, one had expected more sober penetration, and was therefore just a little disappointed.

Cabaret theatre/**Antony Thorncroft**

Mounted in the Garden

"Mounted in the Garden" could only mean that Kit and the Widow, that most scurrilous of double acts, have re-tied their bow ties, ironed their tails, and assembled a mélange of songs, old and new, to subvert the nation. It is the perfect late night entertainment at the Donmar Warehouse and places a substantial whoopie cushion under the worthy Covent Garden Festival.

Over the years the relationship between the two has shifted. Kit (Hesketh-Harvey) is still the masterful head prefect, but marriage has exposed a softer side, adding to the repertoire not only a double edged love song, but also a nursery lullaby, an ABC of African animals. The Widow (Richard Sisson) still looks like a Victorian curate with flatulence but he now occasionally leaves the piano stool to tell, with studied diffidence, risqué jokes.

The basics stay the same – mordantly witty songs, performed with camp bitchiness. Thankfully some of the old faithfuls are retained – the old queens having a furious row on the way to Glyndebourne; the hundreds of Norwegians doomed to travel for ever on the Bakerloo Line with Peer Gynt; Kit resolutely refusing to get into bed with Madonna.

But the poisoned pen has moved with the times. Let's hope the Queen never gets to hear "Cheer Up, Marm": it could convince her to call the whole thing off. There is also one of those cabaret songs that hark back to Duggie Byng and pre-War supper club days, "Geoffrey Porlock the Warlock", whose Wednesday evenings at Datchett near Slough sound decidedly messy.

What is remarkable about Kit and the Widow is that they manage to insult all the totems of their fans and leave them desperate for more abuse. The City types bay loudest at the pastiche of the Eton Boating Song which finds them dangling in the Old Bailey on fraud charges; the Sondheim freaks accept the total demolition of their god with well controlled hysterics. Kit is so much one of us, when he forgets to be one of them, that he provides the perfect escape for subversive thoughts. It may well be forgotten in the cool night air but for an hour or so we have smashed the Establishment and had a smashing time, too.

London Jazz Festival/**Garry Booth**

Music for the thinking man

There was a time when jazz music was easily identified by its instrumentation, syncopation or its nervy improvisation. But contemporary music has become harder to label and today's Venn diagram of jazz contains a perplexing number and diversity of sets. From hiphop to hardcore and new music to world music, everybody wants a piece of jazz and jazz wants a bit of everybody else. But if the argument over whether the interchange dilutes or strengthens the jazz tradition is long and circular as an Evan Parker soprano solo, what is certain is that festival programmers have an ever widening spectrum of possibilities from which to choose.

The London Jazz Festival, which winds down this weekend, has ranged from scientific abstraction to the loping *riddim* of reggae via explosive fusion and the effing and blinding of rap. Yet one of the high-points of the week has been provided by the (rare) appearance of jazz music's master of understatement, US guitarist Jim Hall. Ever the thinking musician's guitarist, Hall has achieved a modest cult following for his quiet communion with pianist Bill Evans, clarinettist Paul Desmond and the swaying reeds of Jimmy Giuffre.

Joined on the altar of Islington's Union Chapel by the choice chords of pianist Larry Goldings, Hall unfolded a succession of exquisitely fragile arrangements that bound together beautifully with the minimum volume. "This next one," he said to the sound of pins dropping, "is a stretched out blues with some funny notes in it." So subdued and spacious was Hall's delivery that applause for delicacies like "Some Day" and "My Funny Valentine" seemed intrusive. His more swinging originals featured devastating technique and razor rhythm delivered with similar nonchalance.

In stark contrast to Jim Hall's effortless enchantment of his audience, pouting Brazilian salsa queen Tania Maria put a great deal of energy into dissipating the electricity generated by an excitable crowd at The Forum in Kentish Town the following night. Somewhat exposed at the keyboards (electric and acoustic) in a trio alongside bassist Eddie Gomez and percussionist Don Alias, Maria's hamfisted attempts at crowd control were enervating. An early attempt to enjoin the party crowd in a clapalong session failed when it became clear that Maria herself was unsure of the time signature. Poor Gomez and Alias stuck doggedly to their groove as Maria splintered chords and wailed hideously into the wraparound mike. At the controls of a large and fast moving band, Maria's fiery fusion of Brazilian dance music and jazz can be exhilarating; uncut it is more like salsa hell.

The four trombones (one a bass), three trumpets and various reeds of John Surman's Brass Project provide the perfect antidote to this sort of nonsense. Kicked along by a feisty rhythm section and all overseen by director John Warren, Surman's swooping bass and alto clarinets, soprano and baritone saxophones front a uniquely English and folky form of big band jazz. But Warren's compositions, most of them new and premiered at the Lilian Baylis Theatre, packed in well sprung Ellingtonian themes, choral and classical sentiment rounded off with an extraordinary arrangement based on the music hall refrain "My old man said follow the van..." Surman's own soloing goes from strength to strength. His spiralling soprano helped by a delay button was hypnotic, the dancing baritone set against ostinato brass uplifting. The concert will be broadcast on Radio 3 on June 5.

Sponsors: The London Boroughs of Camden, Islington and Hackney; The London Arts Board; London Boroughs Grant Committee; and the training and enterprise council

INTERNATIONAL
ARTS GUIDE

■ ATHENS

Megaron Concert Hall Sat and Mon: Alain Guingal conducts English Chamber Orchestra and Concentus Vocalis Chorus in concert performances of Gluck's Iphigenie en Tauride, with Ellen Shade and François Le Roux. Tues: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Richard Strauss and Mahler (722 5511)

■ ROME

Teatro dell'Opera Tues: first of nine performances of La traviata, with Giusi Devinu, Luca Canonici and Renato Bruson. Programme subject to cancellation or change at short notice (481 7003)

■ LONDON

THEATRE

● Antony and Cleopatra: Richard Johnson and Clare Higgins head the cast in John Caird's RSC production of Shakespeare's great historical love story. Previews begin tonight, Press night next Wed (Barbican 071-638 8891)

● The Changeling: a Jacobean thriller by Middleton and Rowley, containing the classic ingredients of lust, murder, madness and sex. An RSC production directed by Michael Attenborough (The Pit 071-638 8891)

● Juno and the Paycock: Gate Theatre Dublin's acclaimed production of the Sean O'Casey play, starring Anita Reeves and Niall Buggy. Till June 19 (Albery 071-867 1115)

● The Last Yankee: Arthur Miller's new masterwork about a quartet of middle Americans troubled by material success, in a West End transfer of David Thacker's Young Vic production (Duke of York's 071-836 5122)

● Relative Values: the second production of this year's Chichester Festival is Noel Coward's classic comedy of English manners, starring Susan Hampshire and Sarah Brightman. In repertory with Shaw's comedy Getting Married, with Tony Britton and Dorothy Tutin (Chichester Festival Theatre 0243-781312)

OPERA/DANCE

Covent Garden Royal Ballet repertory consists of a triple bill (MacMillan, Bintley, Balanchine), Don Quixote and Swan Lake. Royal Opera has a final performance tomorrow of Otello with Vladimir Atlantov and Katia Ricciarelli conducted by Edward Downes, and a revival of La boheme on Mon with Karita Mattila, Deborah Riedel, Jerry Hadley and Peter Sidhom. Seven further performances till June 18 (071-240 1066)

Coliseum Tonight: Mark Elder conducts revival of David Pountney's production of Macbeth, with Malcolm Donnelly and Kristine Ciesinski. Repertory also includes David Alden's acclaimed new production of Ariodante conducted by Nicholas McGegan with Ann Murray and Amanda Roocroft, and Il barbiere di Siviglia with Della Jones (071-836 3161)

Queen Elizabeth Hall Tomorrow: Mark Wigglesworth conducts first of nine performances of David Freeman's 1991 Opera Factory production of Le nozze di Figaro (071-928 8800)

Sadler's Wells Tonight, tomorrow, Sat: final performances of Nederlands Dans Theater season, with choreographies by Naharin, Kylian, Lightfoot and others (071-278 8916)

CONCERTS

Barbican Tonight and Sun: Vladimir Feltsman plays Schumann's Piano Concerto with LSO conducted by Michael Tilson Thomas (replacing previously advertised appearances by Michelangeli). Tomorrow: Franz Liszt Chamber Orchestra with piano soloist Deszo Ranki. Sat: Witold Lutoslawski conducts London Sinfonietta in 80th birthday concert (071-638 8891)

South Bank Centre Tonight: Giuseppe Sinopoli conducts Philharmonia Orchestra in Mozart, Berg and Brahms, with soprano Barbara Hendricks. Tomorrow: Matthias Bamert conducts LPO in music by Fauré, Frank Martin, Elgar and Debussy. Sat: Sinopoli conducts Strauss and Mahler. Sun afternoon: Olli Mustonen piano recital. Tues and Wed: Bernard Haitink conducts LPO in Schubert. Tues (QEH): Esa-Pekka Salonen conducts Ensemble InterContemporain in works by Weill, Lindberg and Kaipainen. May 30: Riccardo Muti conducts Vienna Philharmonic (071-928 8800)

■ BERGAMO

The Festival Pianistico Internazionale di Brescia e Bergamo focuses this year on Brahms, Schubert, Tchaikovsky and Rakhmaninov. Grigori Sokolov plays Brahms' Second Concerto tomorrow at Bergamo's Teatro Donizetti with Hungarian National Philharmonic Orchestra under Adam Fischer, repeated on Sat at Brescia's Teatro Grande. Gerhard Oppitz gives Brahms recitals on Sun at Bergamo and Mon at Brescia. The festival runs till June 9 (Bergamo: tickets 249631/information 240140. Brescia: tickets 59448/information 293022)

■ BARCELONA

Gran Teatre del Liceu Tonight: Jordi Savall conducts first night of Gilbert Deflo's staging of Monteverdi's Orfeo, with a cast including Mark Tucker, Jennifer Larmore and Alison Browner. Repeated May 23, 25, 27, 29, 31 (412 3532)

● Information and booking for cultural events available through Caixa Catalunya from 08.00 to 14.00 (310 1212)

■ FLORENCE

MAGGIO MUSICALE

Tonight and next Wed at Piccolo Teatro, Luciano Berio discusses his music. Tomorrow, Sat, Sun, Tues at Teatro della Pergola: four Diaghilev ballets starring Carla Fracci and other guests. Mon: Mikhail Rudy plays piano music by Janacek. Next production at Teatro Communale: Carmen, opening May 29 (277 9236)

■ GENOA

Teatro Carlo Felice Tomorrow, Sun afternoon, next Wed, Fri, Sat and Sun: Mascagni's Cavalleria Rusticana and Poulenc's La voix humaine, with alternating casts including Giovanna Casolla as Santuzza, Simone Alaimo as Alfio and Renata Scotto in the Poulenc. Tues: Leo Nucci song recital (589329)

■ MADRID

Teatro Lirico La Zarzuela Mon: Lamberto Gardelli conducts first night of Elijah Moshinsky's production of La forza del destino, with Carol Vaness, Giuseppe Giacomini, Paolo Gavanelli and Carlos Chausson. Repeated May 27, 29, June 1, 4 (429 8225)

■ MILAN

Teatro alla Scala Tonight, Sun, next Tues and Thurs: James Conlon conducts Luca Ronconi's new production of Weber's Oberon, with alternating casts including Robert Gambill, Elizabeth Connell and Ben Heppner. Mon: Carlo Maria Giulini conducts Brahms' German Requiem, with Lynne Dawson and Andreas Schmidt. Next Wed: Fedora (7200 3744)

Teatro Lirico Tonight: double bill pairing Nino Rota's ballet La Strada, choreographed by Mario Pistoni, with a group of contemporary Italian choreographies. Daily except Mon till May 27 (7200 3744)

■ PRAGUE

PRAGUE SPRING FESTIVAL

Ferruccio Furlanetto sings opera arias tonight at Dvorak Hall with National Theatre Orchestra conducted by Petr Vronsky. Tomorrow and Sat afternoon at St Vitus Cathedral: Jiri Kout conducts Prague Symphony Orchestra and Czech Radio Choir in Mahler's Eighth Symphony. Tomorrow evening in Dvorak Hall: Josef Suk violin recital. Sat evening: Vaclav Neumann conducts Czech Philharmonic Orchestra in works by Dvorak and Suk. Sun: Suk Chamber Orchestra. Tues: concerts by St Paul Chamber Orchestra and Prague Philharmonic Choir. Wed: Tadeusz Strugala conducts Czech Radio Symphony Orchestra in Gounod, Tchaikovsky and Rakhmaninov. The festival runs till June 1 (530293)

OPERA

Prague State Opera has L'Italiana in Algeri tonight, Salome tomorrow, La traviata on Sat, Tannhäuser on Sun, Les Contes d'Hoffmann on Tues and Madama Butterfly on Wed. May 29: first night of new production of Jenufa (265353). National Theatre repertory includes La forza del destino, Rusalka and Don Carlo (205364)

● Tickets can be ordered from abroad through Bohemia Ticket International, Salvatorska 6, 11000 Prague 1 (fax 231 2271)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

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MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Flops at the top of corporate Germany

BOOK REVIEW

NIETEN IN NADELSTREIFEN
Deutschlands Manager in Zwielicht
By Günter Ogger
Droemer Knaur, DM38, 272 pages

The typical west German senior manager is male, aged 40 to 65, ambitious, incapable of real team-work, insecure to the point of paranoia, incompetent and probably corrupt. So, at least, argues Günter Ogger in a book which seeks to prove with a wealth of anecdote that virtually all top German managers are *Nieten* – "flops". The title translates roughly "Flops in pin-stripe suits: the twilight of Germany's managers."

It is managerial failure, Ogger claims, rather than broader macroeconomic trends, which lies at the root of Germany's current economic malaise. This irreverent argument challenges the self-esteem of German business leaders who, until the present downturn, basked in the belief that they, more than any other class in German society, were responsible for the prosperity of the federal republic.

As that prosperity has started to look fragile, and Germany finds itself in its worst recession since the second world war, Ogger's book has captured the mood of the times. It has become a best seller, appealing to the German habit of self-excoriation and providing a "rogues' gallery" of failed business leaders.

His argument accords with the views expressed by a small but vociferous band of shareholder activists who have been trying to start in Germany the kind of debate over "corporate governance" which has taken place in the UK and the US.

Whereas the mechanism of the hostile takeover serves to punish UK and US managers if they are slow to deliver short-term financial performance, their German counterparts are insulated from stock-market pressure by networks of cross-holdings and other devices designed to remove the threat of unfriendly takeovers.

Only very rarely do these protection mechanisms fail – such as last year when Hoesch found itself being taken over by the rival steel company Krupp. But most big companies enjoy shareholder "stability" which leaves managers free to treat private and institutional shareholders as little more than an occasional fund-raising source.

The system also leaves managers free to pursue ambitious expansion plans without taking into account such pedestrian short-term considerations as profitability.

Ogger cites the example of Daimler-Benz, Germany's biggest industrial company, where annual sales have expanded to nearly DM100bn since Edzard Reuter took over as chief executive in 1987 – but profits have dwindled to an expected DM1bn this year.

"Until 1985, it was the most solid, most profitable and best managed company in the whole of the Federal Republic of Germany," he writes, "but now Daimler is battling with enormous structural problems and must lay off staff for the first time since the war."

Another example is Mannesmann, the engineering group, where annual turnover has doubled to DM24bn under chief executive Werner Dieter, but profits have fallen to less than half their former levels.

Such companies provide classic examples of how German capitalism has worked. Managers are appointed and their performance monitored by supervisory boards. The two-tier board system – which divides responsibility between the management board, on one hand, and the supervisory board, on the other – is often cited as an important reason for Germany's post-war economic success, worthy of imitation in the UK and the US.

But Ogger contends that the supervisory board system has degenerated into a clique of some 200 ageing men working together to perpetuate each others' power and perks – a "you vote for me and I'll vote for you" influence cartel which has failed to prevent poor management decisions.

One consequence is the misallocation of financial resources – one reason why the German economy is heavily weighted towards moribund sectors such as cars and capital goods. The successes which the German economy can claim, Ogger says, are due not to managers but to well-educated technicians, craftsmen and engineers who build good products in spite of management.

Drawing almost exclusively on secondary sources, Ogger's analysis makes no pretence of being fair. It is an entertaining harangue which might have been balanced by greater attention to the failings of the Anglo-Saxon system – for example, the questionable efficiency of takeovers as a way of dealing with managerial ineptitude.

It is does not tackle the anomaly that, although the shareholders are not the first priority of management, the German system can still produce superb returns for them. Allianz, the giant insurance company, pursued a questionable expansion policy throughout the 1980s and, until recently, put little emphasis on explaining itself to institutional shareholders. Despite this strategy, it was the best-performing German share over the past decade.

Nor does the book offer any compelling solutions to the management problems which it identifies, beyond citing a few truisms imported from US management gurus. It suggests, somewhat forlornly, that German companies should try to become leaner and fitter and German managers more honourable and less bureaucratic.

Sheer commercial and economic pressure, however, is forcing German companies to find their own solutions. Rationalisation has become the order of the day, as witnessed by Ferdinand Piëch's tough regime at Volkswagen. Daimler's recent decision to abandon the holding company structure which served as its chief anti-takeover device and seek a listing on the New York Stock Exchange shows that managers will have to come out from behind the barricades if they are to have access to the world's largest capital pool.

David Waller

ECONOMIC VIEWPOINT

'Socialism' and human nature

By Samuel Brittan

As no worthwhile comment on the course of the British economy can be made before today's unemployment figures, I am leaping in to fill this space with a more fundamental argument: namely why "socialism" – in the original sense of comprehensive state ownership and direction of the economy – has proved a delusion.

The most popular argument, especially among businessmen, is some version of the incentive argument. Socialism would be wonderful, it is said, but people do not work for idealist motives and require something more tangible. The whole avuncular approach is encapsulated in the awful saying: "Anyone who is not a socialist before 21 has no heart. Anyone who is still a socialist after 21 has no head."

This kind of critique must have been heard by generations of students; and it makes little appeal. It generalises too freely about human nature and ignores many humdrum types of unpaid work, such as routine charitable and social work, regularly and competently performed by thousands.

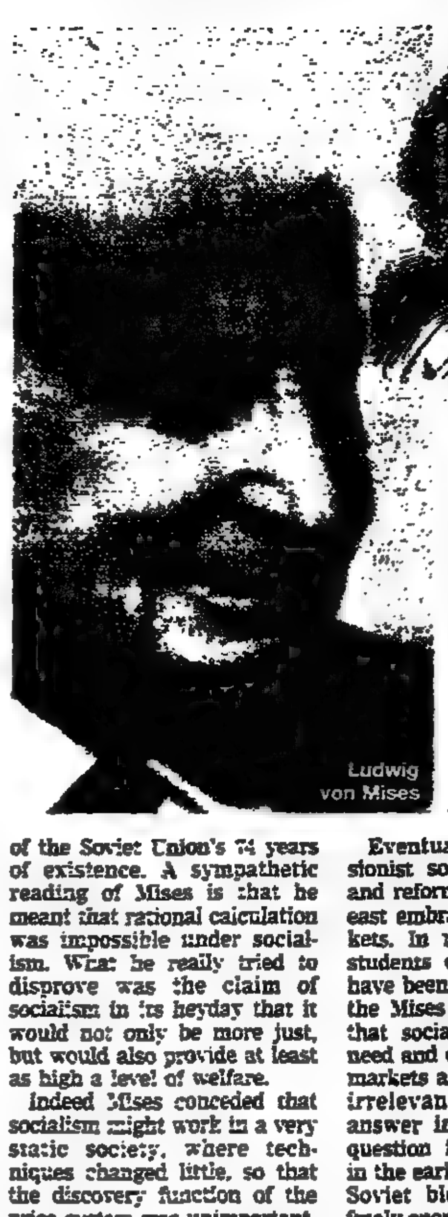
The basic argument against full-blooded socialism has little to do with selfishness. It is that without a functioning "capitalist" market even the most noble-minded would lack the information to go about their jobs effectively.

The reason can be put into a few sentences. Efficiency is not just a technical concept. There is an unlimited number of ways of producing anything: skilled workers with complicated machines can be employed, or unskilled workers with simple machines. Should word processors or typewriters be used, and which type? Should desks be of wood or steel? Is a head office a good idea, or can managers link up from their homes? There is no end to such questions.

But without a pricing system, which tells us about the relative scarcity of these different inputs, a manager cannot begin to act rationally. Nor are the resulting losses trivial. The capital intensive, but wildly unsuitable and heavily polluting, industrial plants dotted about the landscape of eastern Europe are testament to the costs of an inadequate pricing system.

Although the above critique is sometimes called the "problem of socialist calculation", it is not a dry accounting matter. The price system – by which is meant not the rate of inflation but relative prices – incorporates the dispersed knowledge of millions of people, which is fed into the economic system in terms of the prices they are prepared to pay for different resources – or charge for their own inputs. A command economy throws this data away.

The main originator of this informational critique of socialism was Ludwig von Mises, an Austrian-born economist who lived from 1881 to 1973. But after enjoying a vogue in the 1920s and 1930s Von Mises faded out of the view of mainstream economists who wrongly believed he had been answered.



Ludwig von Mises

Karl Marx

Both thinkers 'combined erudition with a combative, frequently vituperative style of presentation, displaying in their writings little patience with critics'

A new book makes a comparison with Karl Marx. Both thinkers "combined erudition with a combative, frequently vituperative style of presentation, displaying in their writings little patience with critics. They each attracted a small, industrious band of dedicated disciples prepared to brave – and reciprocate – the disdain of conventional thinkers."

This is a passage in From Marx to Mises by David Ramsay Steele (Open Court, La Salle, Illinois). Steele was a British Marxist in the 1960s, then became a Mises disciple. He is now a Chicago publisher and more sceptical of both teachers but still impressed by the "socialist calculation" critique. He is thus well qualified to summarise the debate and put it into perspective.

The Mises critique does not apply to many who call themselves socialist but really believe in welfare capitalism. Although Mises was opposed to this as well, his critique, as Steele rightly says, fails to demolish it. But for most of his lifetime, fashionable ideas went much further. They included the view that factor markets and financial markets could be replaced by conscious planning, as in war, and that intervention could be made at will, for example, by fixing any and all prices at any level the government chooses

The easy rejoinder to Mises is that full-blooded socialism could not be impossible in view of the Soviet Union's 74 years of existence. A sympathetic reading of Mises is that he meant that rational calculation was impossible under socialism. What he really tried to disprove was the claim of socialism in its heyday that it would not only be more just, but would also provide at least as high a level of welfare.

Indeed Mises conceded that socialism might work in a very static society, where techniques changed little, so that the discovery function of the price system was unimportant. It might also work for ascetics not too worried by material prosperity. As for the Soviet economy: it could function as well as it did because it made use of the prices established in western markets. Indeed there was a late book by Stalin urging the comrades to follow the commodity markets more closely.

Eventually, however, revisionist socialists in the west and reform communists in the east embraced prices and markets. In recent decades most students of political economy have been taught not to refute the Mises critique, but to say that socialist economies both need and can have functioning markets and that ownership is irrelevant. The approved answer in a multiple choice question for students devised in the early 1970s in relation to Soviet bloc reform was: "A freely-operating market system can perform efficiently the function of allocating scarce resources to satisfy competing wants under socialism as well as under capitalism." This glib approach still governs most of the debate on privatisation.

Why then were the reform communists of the 1970s and 1980s mistaken and why could not effective markets be created among largely state-owned industries?

Mises' most convincing answer was the absence of financial markets – including a market in ownership – to determine who should control existing assets and to what uses new savings should be put. It was the absence of any mechanisms for placing ownership and control with those who could make most effective use of the assets at their command, which was probably the fatal blow to reform communism. Hence the present emphasis on privatisation. As Steele says: "Human kind doesn't yet know of any feasible way to elicit, transmit and to bring to bear this information in a technologically-advanced society other than by substantially free financial markets in the milieu of substantially private ownership of the means of production."

From Marx to Mises is not a perfect book. Its main fault emerges in the preface where Steele writes: "In all essentials this book would be the same if the Soviet debacle had been complete in 1921; or if it had been delayed for another 20 years after 1989." The length of time the USSR existed and the nature of its collapse matter for assessing the importance of the fundamental weaknesses, which no amount of general argument can replace.

By far the best section is that in chapter 10, summarising the modern analysis of property ownership as bundles of rights which may change their composition. Ownership is a matter of degree. Just as restrictions in capitalist countries (for example rent control) may dilute the content of ownership, so *de facto* property rights can emerge in a nominally socialist country, as the managers of enterprises acquire more and more rights, whether legally or otherwise. If Steele had followed up this line of thought he might have reached interesting conclusions on whether, for instance, "nomenklatura capitalism" is better than slow privatisation in the former communist world.

The author's own ending is quite different. It is a call for more rather than less utopian speculation. Although socialism has ineradicable flaws, there may be better conceived alternatives to capitalism. If Marx and his followers had not arrogantly dismissed as "unscientific" all speculation – other than their own asides – about the society of the future, we could have been spared some misery.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

UK industry in jeopardy from regulators

From Sir Ian Wrigglesworth.

Sir, In 1975, 35 per cent of Britain's northern manufacturing employment was in shipbuilding, steel and coal. Today it is less than 3 per cent, and if Swan Hunter and the final round of pit closures go ahead, it will be even less. But the north is still a premier manufacturing region and exports 45 per cent of its GDP. It has world-class businesses in new areas such as semi-conductors, automotive products, pharmaceuticals and service industries and has combined traditional strengths with new and sophisticated uses of modern technology in industries such as engineering, steel and chemicals.

One of these world-class businesses – BNFL – is being prevented from contributing to the wealth, employment and exports of the region because it cannot begin to undertake the £9bn of export orders in the Thorp reprocessing plant in Cumbria. The plant, completed at the end of last year, has still not been authorised to operate – a situation you rightly described as "a nightmare" ("Nuclear scheme that became a 16-year Whitehall nightmare", May 8).

Most industrial plants – require authorisations from regulatory bodies such as HMIP, MAFF and the NRA which are set after they have been built, but before they can start operation.

If, as has been suggested, these bodies should now also consider the "need" for new plants once they have been constructed, we are on the route to industrial disaster. What responsible board would authorise expenditure on a big new industrial plant if it is to be subject to the double jeopardy – after obtaining planning permission – of facing the possibility of a decision by a whole series of regulators as to whether there is a "need" for it before it can start to operate.

Regulators need to work more closely with industry, not against it. If current laws are stifling business in this way, it is incumbent on the government to change them quickly.

Ian Wrigglesworth,
chairman,
northern region,
CBI,
15 Grey Street,
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Limit to tax retaliation

From Mr John L Wosner.

Sir, You report that the British government is expected to announce retaliation against US companies by cancelling their right to refunds of part of the tax credits attaching to dividends paid by UK subsidiaries ("UK poised to retaliate against California tax rules", May 13).

It is worth noting, however, that the UK legislation only applies to those companies based in a state which operates a unitary taxation system or has companies in its group which operate from such states. Those US companies with UK subsidiaries which do not operate in unitary states such as California would not be affected by the proposed retaliation.

John L. Wosner,
managing partner,
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'Best guess' of profits better than analysts' estimates

From Mr John Gallini.

Sir, Following the public censure by the stock exchange of London International Group ("Crackdown on private briefings for analysts", May 15), is there any overwhelming reason why companies should not publish a "best guess" profits and earnings per share estimate for the coming year at the time of their preliminary results statement, updated if necessary at their AGM and on publication of their interim results? Only if the company considered that the actual results were likely to differ by more than a given amount (say 10 per cent) from their latest estimate, would they be required to make a statement to the stock exchange. More frequent information would not only help reduce the number of profit warnings made, with the associated stigma and often devastating effect on share price, but would also ensure that the playing field was seen to be level.

Far from diminishing the role of the analysts, who are after all at liberty to publish their estimates, it would perhaps free them a little from number gazing and allow them to concentrate more fully on areas of concern to investors about which the company itself cannot be expected to be entirely impartial, for example its strategy, competitive position and management quality.

It would also help in placing a realistic value on the shares of the many small companies not covered by analysts' research, perhaps even enhancing the market for them.

John Gallini,
11 North Street,
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Way to avoid surprises

From Mr Stanley Gale.

Sir, The leaking of price sensitive information by companies seeking to avoid surprises by giving guidance to analysts can be avoided by issuing profit statements and relevant comment on a quarterly basis.

The practice, followed by the great majority of UK companies, of reporting twice yearly creates an information gap of some eight months between the announcement of half-year figures and the issue of the preliminary profit statement for the full year. Quarterly reports, issued about mid-way through the following quarter and containing comment on current trading and the outlook, in practical terms virtually eliminate information gaps.

Stanley Gale,
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S African authorities must change rules of corporate governance

From Mr George R J Guise and Prof Alan Walters.

Sir, In our Personal View article of August 19, 1992 ("Feather beds in South Africa's boardrooms"), we argued that shareholding arrangements, particularly pyramiding and the ubiquity of *de facto* voteless shares, should be changed so that the great South African conglomerates were subject to the discipline of takeover bids, and that this would be likely to lead to the unbundling of many a bloated corporate structure.

Now we have the first big unbundling of Gencor which is rightly welcomed in your editorial, "Unbundling" (May 12), as a first step in releasing South Africa's economy from the stranglehold of the few who control the large holding companies. The shareholders of Gencor are the immediate beneficiaries, but the ensuing improvements in efficiency will benefit both workers and customers as well.

But Gencor's unbundling, probably encouraged by a newly enlightened tax regime, occurred in spite of a structure of securities law (and exchange control) which still allows, even encourages, concentration of management control in few well-sheltered hands. The remaining conglomerate managements can still lie snugly in their feather beds safe behind the barriers to intruders. Indeed, Anglo American has announced that it intended to do precisely that. The Gencor components will still be largely free from threat of takeovers both domestic and foreign.

The South African government and the stock exchange authorities should change the rules of corporate governance and open all South African industry to domestic, and eventually, through abolition of exchange controls, foreign takeover bids.

Only then will a free competitive South African industry thrive in an open environment and provide the prosperity on which its political as well as its economic future depends.

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FINANCIAL TIMES

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Thursday May 20 1993

Get Europe to work

FOR MANY months the European Community has been paralysed by the long struggle over the Maastricht Treaty of European Union. When it ends, with ratification in the British parliament, the governments must put aside all those sterile doctrinaire arguments about the long-term destination of the Community. Their top priority is to turn their attention to a pragmatic programme of action, which will make it work more effectively now, in economic and in political terms.

The most urgent need is to make the Community work in ways which seek and secure the consent of the people of Europe. The first referendum in Denmark, the debates in the French and British parliaments, the opinion polls in Germany, have all shown that there are deep popular misgivings in many European countries about the Community and its policies.

These misgivings have been stirred up in part by the fact that some governments, and the Maastricht treaty itself, may have seemed to imply, incautiously and quite prematurely, that Europe was necessarily bound for a federal future. But there are two other more immediate reasons for popular disquiet which are also much more practical: on the economic front, it has not always been clear that the Community's policies were delivering the advantages claimed for them; on the political front, governments have failed to develop appropriate policies of transparency and accountability to ensure that they carry the voters and their elected representatives with them.

The most immediate problem arising from the Maastricht treaty concerns the future of the programme for economic and monetary union. The experts have declared that there is nothing inherently wrong with the exchange rate mechanism, despite last autumn's upheavals in the currency markets, which forced two Community currencies out of the system. The fact remains that it is now impossible to believe that the Maastricht programme for EMU will be implemented as prescribed within the periods laid down. Moreover, it is probable that some Community currencies will stay outside a monetary union for a long time, and some may stay outside the ERM for a long time as well.

It is conceivable that an inner core group of countries may move ahead by themselves towards closer monetary integration. But it cannot be a matter of indifference to France or Germany that the British pound and the Italian lira are floating independently, or that the peseta and the escudo have been devalued. The urgent practical problem for the Community as a whole is to review the monetary arrangements for Europe, so as to deal with the probability of a variable geometry monetary Europe, and not simply dismiss the outsiders as failures who should be disregarded.

One of the reasons for the unpopularity of the Community is that the programme for the single European market has come to be identified with industrial restructuring and thus with unemployment, while the convergence criteria of the programme for economic and monetary union have been identified with deflation and more unemployment. These criticisms may not be fair, and they are certainly over-simplifications. The political fact is, however, that high and rising unemployment is now the biggest problem facing all European governments, and their most urgent need is growth and job creation.

In the end, the only reliable basis for growth and job creation is improved economic competitiveness. It is clear that the Community will not last long if it comes to be seen as a vast machine for creating unemployment. But there is no room for reckless indulgence in measures of social protection which would jeopardise that competitiveness.

China's landing

RISING CHINESE inflation and discreet expressions of concern by officials are reminders that Deng *Xiaoping's economic miracle* remains vulnerable to familiar constraints. Since Mr Deng began to dismantle state control of the economy in 1979, there have been three spectacular booms, of which the first two were followed by busts. The question to be answered in coming months is whether reforms have progressed sufficiently for the economy to escape the roller-coaster and make a soft landing.

After Mr Deng's call for faster growth and reform was trumpeted last year as Communist party policy, the economy grew 12.8 per cent. Fixed asset investment grew 38 per cent, and banks' new loans were more than double the government's target. Latest figures show distinct signs of overheating. Urban prices in April were rising at an annualised 17 per cent rate and retail sales at 25 per cent. Surging domestic demand pushed the trade balance into a $1.7bn deficit in the first four months of the year, and the currency has weakened on the unofficial market.

In 1988 the cycle led to urban inflation of over 30 per cent, panic buying and hoarding. The brakes were slammed on with tight controls on credit, prices and imports. There is no sign yet of such a crisis, or of a heavy hand from government to deal with the problem. Officials have indicated that they want to direct credit to areas such as transport and energy in such a way as to avoid inflationary bottlenecks, and a repeat of the late 1980s.

Several factors point to a greater chance of a soft landing than was previously possible. Inflation is partly due to the one-off effect of price deregulation for some 600 commodities. Until the most recent figures, consumption growth has not appeared too rapid. The development of the market economy reduces fears of shortages of basic goods, and increases the available investment options. Price decontrol and trade liberalisation have made the economy much less rigid. Foreign debt is not excessive and foreign exchange reserves are strong.

However, the difficulties of moving from communism to the market are underlined by weaknesses in fiscal and monetary policy. Though the inefficient state sector now accounts for only about half of industrial output, it still contributes to a large budget deficit and a big dollop of monetary creation. The tax system needs reform to reflect the growth of the non-state economy. The central bank has only blunt instruments to control credit, with interest rates playing virtually no role. Planned deregulation of financial markets, with the monetary authorities setting base interest rates, may come too late to help in this economic cycle.

The ability to manage the economy is therefore severely limited. Macro-economic control is made harder by the devolution of power to provincial governments anxious to join in the development race. China's leaders face huge challenges in continuing to guide the economy towards the market while keeping in check the social problems thrown up by reform. Foreign investors need to keep in mind the limitations of economics, and also those of politics – the fundamental priority of China's leaders is to remain in power.

Major mumbles

GOOD NEWS, a positive message, a sympathetic audience: an after dinner speaker could hardly ask for more. Yet the prime minister's speech to the CBI dinner on Tuesday night came out like a damp souffle. Concocted from cliche and assertion rather than reasoning, it failed to satisfy either by force of oratory or strength of argument.

Mr Major is at his best in small gatherings, when his courtesy and decency win friends. At the big set piece, he can be strangely uninspiring. His CBI performance began with scars of recession, then waded through ripples of recovery and tides of manufacturing output before gasping into a jungle of enterprises choked by weeds, where he said industrialists were digging away to cut red tape.

The poverty of expression obscures the fact that the prime minister has a story to tell, especially before a group of industrialists. He shares most of their views about free trade and deregulation, and – with the agony of Maastricht nearly over – about Europe as well. The relevant government departments are eager to talk constructively to business. And he no longer has to feel embarrassed about economic prospects.

All that is needed is a sense of phrasing, a couple of good jokes and the ability to pull the different strands of policymaking together into a coherent and practical whole. Sir Ronald Millar made music for Mrs Thatcher, not herself the most gifted of orators. Peggy Noonan did the same for President Reagan. If Mr Major cannot discover a latter-day version, then a sharp eyed sub-editor and a dictionary of cliches would be better than nothing. At least the dinner guests would then have longer to chat over the coffee.

Last stand before sell-off junction

Richard Tomkins examines the concerns underlying a possible Tory backbench revolt over rail privatisation

The British have an attachment to their railways out of all proportion to their willingness to use them. Leaving aside the 426,000 season ticket holders who commute daily into central London, most people who own cars (and many who do not) hardly take a train from one year to the next. Yet they regard railways in much the same way as people with private medical insurance regard the National Health Service – they want them to be there, just in case.

It is a rash government, then, that dares to tinker with the trains, as Mr John Major is finding to his discomfort. Even before the heavy Conservative defeat at the Newbury by-election and county council polls a fortnight ago, the planned privatisation of British Rail had been dogged by concerns about the possible implications for fares and services. Now, with Conservative backbenchers in no mood for measures that could further reduce party support, the government is facing the possibility of a revolt when the Railways Bill reaches report stage in the Commons next week.

On the face of it, this is an avoidable crisis. The rebellious backbenchers say that are not seeking to wreck the legislation; they simply wish to make it more palatable by building in safeguards to protect rail users' interests. But the backbenchers' move raises at least two questions. First, are their fears about the possible consequences of privatisation justified? And if they are, can the legislation be amended without involving the government in an embarrassing climbdown?

Underlying the widespread concern about the government's plans for the railways is the fact that this privatisation is unlike those that have gone before. The gas, electricity, water and telecommunications industries were profitable and expanding when they came to the market, so their privatisation was not accompanied by fears of reductions in services. Rail, by contrast, is a heavily loss-making industry in long-term decline, and most of its services exist only because they are propped up by the state. People understandably fear that, if exposed to the full force of commercial reality, the railways would have a very short future.

The government has attempted to address these concerns by adopting a hybrid approach to rail privatisation. Only the freight train operations are to be sold outright. The infrastructure – the tracks and signalling – will be hived off to a new state company called Railtrack, while the operation of British Rail's passenger services will be contracted out to whichever private sector operator bids the highest sum for the franchise (or, more likely, *bids for the lowest subsidy*).

It follows that what is going on is not a privatisation in the accepted sense. Freight aside, virtually no assets are to be sold. In terms of day-to-day operations, the railways will be more highly regulated than ever because of the need to supervise private-sector participation through two new bodies, the rail regulator and the franchising director. And since nearly everyone involved in running the passenger railway will remain beholden to the government for subsidy, ministers will retain the right to go on meddling in the railways' affairs at every level.

The implication is that the new structure will make little difference. Yet it will bring at least one fundamental change – in the way government subsidy is paid. Under the present system, British Rail is paid block grants each year to cover the costs of operating its loss-making Network SouthEast and Regional Railways divisions, without anyone being aware of exactly where the money is being lost. After privatisation, the profits and losses of each individual route will have to be identified so that would-be franchisees know how much to bid for them. The result could be to show that some lines are losing so much money that the case for closing them becomes irresistible.

There is another aspect to the subsidies issue. As long as British Rail is running the railways, the costs imposed by the loss-making lines are partially relieved by the surpluses produced by the profitable routes. Under the new system, the surpluses generated by the profitable services will be pocketed by the companies that win the franchises to operate them, but the public sector will still be paying subsidies to the franchisees running the loss-makers. Perversely, the result is likely to be that privatisation increases rather than decreases the net cost of the railways to the exchequer.

How will the government respond to these pressures? The answer is that nobody knows. In theory, the upward pressure on subsidies should be counterbalanced by cost savings resulting from efficiency gains. But the government has given no indication of how great it

expects those cost savings to be, nor how it will react if they are insufficient to stop subsidies rising. Is the Treasury going to write a blank cheque guaranteeing that all services will continue to run and that fares will stay unchanged? Since the answer to that question is no, then what?

It is this chasm of uncertainty that has given rise to the fears being articulated by Conservative backbenchers. In order to bridge it, they are seeking guarantees that passengers will be protected from line closures, fare increases and the abolition of the London Travelcard scheme. They also want an amendment to the Railways Bill allowing British Rail to bid against the private sector for the passenger service franchises.

Mr John MacGregor, the transport secretary, seems unlikely to yield on any of these issues. Where line closures are concerned, no transport minister would promise to keep all railway lines open forever, with or without a blank cheque from the Treasury. As for fares and Travelcards, the amount of regulation facing train operators is already in danger of deterring would-be entrants to the market, and any further inroads into companies' commercial freedom could be in danger of turning rail privatisation into a dead letter.

Instead, Mr MacGregor might attempt to defuse backbenchers' concerns through reassurance. Successful private-sector train operators will be those providing services that people want to use, he is likely to argue, so they will have a commercial incentive to offer more and better trains at attractive fares. The purpose of privatisation is the expansion of the railway, he could say, not its contraction.

It sounds convincing. It may even be true. But it is not the same as saying that railway privatisation will be painless. By introducing transparency to the allocation of subsidies, privatisation will confront politicians with awkward decisions about the future of unprofitable services. The bureaucracy needed to administer the Travelcard, student railcard and other schemes requiring revenue to be split between several different companies would be costly to run and is unlikely to appear unless someone volunteers to pick up the bill. Some train services will improve, others will disappear; some fares will go up, and others will come down. There would be no point in privatising the railways if nothing changed.

It is this point that explains why the backbench amendment least likely to be accepted by the government is the one proposing that British Rail should be allowed to bid for franchises. Conservatives supporting the idea say it is absurd that the people who know more than anyone about running the railways should be prevented from throwing their hat into the ring. The government counters that the point about privatising the railways is to get the running of the trains out of the public sector, but emphasises that existing rail staff will be strongly encouraged to take part in the process through management/employee buy-outs.

In fact, there is another aspect to the British Rail argument. Experience in Sweden has shown how nationalised railways tend to win nearly every time when competing with the private sector for contracts to operate train services. The suspicion is that they do so because they are able to cross-subsidise the contracted-out services with revenues from their other operations. It is not hard to imagine how such a process in Britain could result in the majority of contracts going to British Rail, so reducing the privatisation process to a paper exercise that resulted in everything staying the same. For nervous Conservative backbenchers with an eye on the next election, that might be no bad thing.

The bureaucracy that stifles Europe

PERSONAL VIEW

Today, Britain's position in Europe is being damaged by a sense of false nationalism which is out of place in a changing world. This needs to be replaced by a sense of vision that certainly does not involve any real sacrifice of our national identity.

Many people, including me, are old enough to remember the original visionaries of the new Europe: Monnet, Schuman and, yes, Sir Winston Churchill too. Of course they saw the considerable economic advantages of closer association. But equally they saw a Europe unlikely to be riven by conflict. A Europe with Germany as a central and involved member. A Europe of independent nation states but with citizens with a broader and richer understanding of each other, less likely to become hypnotised by old nationalistic slogans.

There are few who would not subscribe to this vision. Yet today there are many who feel an increasing hostility to the whole European concept. Why should this be? The answer is one word – Brussels. Something has to be done about Brussels.

Many people in business have a list of pettifogging regulations that have emanated from that great bureaucracy. But these are just symptoms of the general approach of the European Commission. Some of its members really do want to interfere as deeply as possible in local national affairs. There is a *dirigiste* philosophy that sometimes reminds one of Napoleonic edicts. There is an arrogance that is totally out of place, particularly in a group that has no elected status.

I would hazard a guess that many of them have lost touch with the citizens whose interests they purport to serve, and especially with young people. Brussels contains too many of yesterday's people with yesterday's ideas and methods. Their motto seems to be: "If it moves – regulate it; if it doesn't move – regulate it."

Industry is not well-served by Brussels. We seem to spend too much of our time fending off new forms of centralised social or industrial legislation and regulation. And while this is going on there seems to be studied indifference in the Community to the problem of European industrial competitiveness, as indicated by Europe's loss of share of world exports of manufactured goods from 22 per cent in 1980 to 18 per cent in 1992. And even when this point is addressed, some of the proposed solutions seem strangely like protectionism. I sometimes fear that Brussels would ideally like to organise European industry as well as it has organised European agriculture.

Brussels contains too many of yesterday's people with yesterday's ideas and methods

This is no reason to abandon the single market as the so-called Euro-sceptics would wish. Rather it is a challenge to modify the Brussels approach so as to give primary emphasis to European industrial competitiveness.

The principle of subsidiarity, with its genesis in the Maastricht treaty, is precious and needs to be refined and extended. It is clearly in harmony with the mood of Europe's people. Brussels must not be allowed to water it down or lose it under a load of bureaucracy. It is not the function of Brussels to trample over considerations of national tradition and working practices.

Nothing would be more welcome to CBI members than a simultaneous announcement that parliament had ratified the Maastricht treaty and that a General Agreement on Tariffs and Trade accord had been concluded.

But the point about worldwide free and open trade is that it has a positive effect on competition. So we have a vital need to be competitive. And we need to be aware of this need as a community.

The CBI's message to European governments and to the Commission is that there is serious work to be done on identifying the sources of Europe's overall loss of competitiveness and eliminating them. That is why we have persuaded our sister federations in Unice, the European employers' federation, to undertake a study of declining European competitiveness, focusing particularly on the impact of high social costs and emphasising the importance of avoiding further "own goals" through the social chapter, or other related legislation.

It is clearly in the interests of British business that the Maastricht treaty is ratified. Britain needs its government to be at the heart of the negotiations, ensuring that its concerns are taken into consideration, constantly improving and updating the single market and making it work fairly. And, I would add, curbing the power of the Brussels bureaucrats..

Michael Angus

This article is based on an extract from the speech by Sir Michael Angus, president of the Confederation of British Industry, at the CBI's annual dinner on Tuesday

OBSERVER

Full weight of the law

■ Officially, the Serious Fraud Office is doing everything in its power to recapture fugitive entrepreneur Asil Nadir now holed up in his native northern Cyprus home.

However, Observer has just stumbled on a clue as to why the SFO may perhaps be less than heartbroken if Nadir does not return to face charges of theft and false accounting involving £30m. There may be nowhere to hold his trial.

The former Polly Peck chairman was due to stand trial in September in one of the two courtrooms built specially to cater for the peculiar requirements of long and complex fraud cases.

The courtrooms, used for the year-long Blue Arrow trial and the Barlow Clowes prosecution, are housed in Chichester Rents in London's Chancery Lane. But now it seems the historic courtroom building may even be structurally unsound.

The Department of Environment confirms that concern centres on the floor loadings which may not be up to the required building specifications.

Investigatory work will start in the summer with a view to any necessary repairs being carried out by September – if possible.

Just goes to show what can happen when the full weight of the law is brought to bear.

Candybar Issues

■ If Saatchi and Saatchi, one of the world's biggest advertising agencies, can get away with a £73m rights issue, then it must be on the mend. But it still can't afford to lose big name clients such as Mars, the highly private confectionery and pet food giant. Indeed, Observer hears that chairman Maurice Saatchi has been spending so much of his expensive time buttering up multi-billioniare Forrest Mars that a number of Maurice's copywriting colleagues have slickly decided to rechristen him Snickers Saatchi, after one of Mars' more famous chocolate bars.

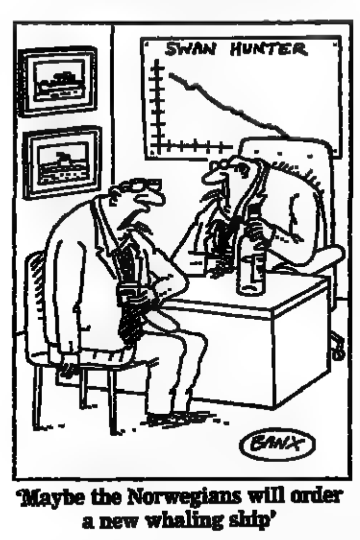
Better than Whiskas Saatchi, perhaps.

Share drive

■ Shares in golf clubs have long been traded in Japan – but the very idea provokes splutterings of disapproval at most British 19th holes.

That could well change, though, if Simon Hampel (nephew of ICI's Ronnie) has his way. The young Hampel has just set up a brokerage, Mercator International, which aims to match buyers and sellers of shares in the Wisley golf club south of London.

Built by British Aerospace's Arlington property subsidiary and



'Maybe the Norwegians will order a new whaling ship'

the Middle East-backed Mamnai Corporation, Wisley has 480 shareholders. They have stumped up £15m of equity over the last three years, at between £26,000 and £40,000 a head. Under the rules of the club, a free market came into effect in January, allowing the odd speculator and, it is rumoured, a few distressed Lloyd's Names, to bail out.

The developers currently offer new shares at £35,000, but, if recent transactions are anything to go by, Mercator may be able to do a better deal. With a few other clubs joining in, perhaps there is room for a European version of the Nikkei Golf index, which is a recognised lead indicator for the Japanese economy.

Summed up

■ Mark Boleat has been an extremely effective point man for Britain's building societies and he stands as good a chance as anyone of making a success of his new job as director general of the Association of British Insurers.

But one little known rule for this year's annual conference of the Building Societies Association suggests that Boleat and his troops may not be quite as concerned about the freedom of the press that they have so carefully cultivated over the years. When the BSA got wind of the news that the Cheltenham & Gloucester, Britain's sixth biggest society, had invited four journalists to join its table of eight at the annual dinner in Brighton, the balloon went up at Boleat's Savile Row HQ.

C & G, which was paying for its guests, was ordered to withdraw the invites. The official reason was that the "seating plan may seem a little umbalanced if so many journalists are concentrated on one table". Observer can't wait to hear the reaction of Mick Newmarch of the Pru, if Boleat's officials try to vet his seating plan.

Mounting up

■ It sounds as if some of Argentina's overseas ambassadors may be an even worse credit risk than the country they represent.

Buenos Aires' newspapers have been filled with reports that some of Argentina's departing ambassadors have left behind hundreds of thousands of dollars in unpaid debts. Admittedly, part of the explanation has to do with confusion over ambassadors' private and official expenses. Even so, the list of ambassadorial debtors has set tongues wagging.

Ambassador Carlos Mandry, former ambassador to Bonn, is alleged to have left Deutsche Bank with a $300,000 overdraft after he was recalled last year. Ruben Cardozo left Paraguay and $230,000 in IOUs and the former ambassador to The Hague, Julian William Kent owed banks $100,000.

The Foreign Ministry is investigating but says that "where spending was for official functions, the debts were paid by the ministry. But in the case of personal debts, that's each ambassador's problem." Or, rather, each ambassador's creditor's problem.

Noah let up

■ Many thanks to all those readers who pointed out that there was a happy ending to yesterday's tale about Noah and the two snakes who said they couldn't go forth and multiply because they were adders. Shortly after being let loose in the forest, they found a set of log tables and from that day forward had no difficulty multiplying.

FINANCIAL TIMES
Thursday May 20 1993

March gap of $10.2bn raises fear of commercial tensions with Japan

US trade deficit rises sharply

By Michael Prowse in Washington

FEARS of increased trade tension between the US and Japan rose yesterday after an unexpectedly sharp rise in the US trade deficit to $10.2bn in March, the biggest shortfall for nearly four years. More than half the deficit was with Japan.

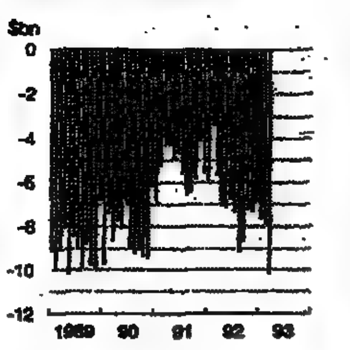
The overall deficit was up nearly 30 per cent from the shortfall of $7.9bn in February, mainly reflecting a surge in imports.

The deterioration is likely to prompt a sharp downward revision of growth in the first quarter to an annual rate of 1.0 per cent to 1.5 per cent, compared with an initial estimate of 1.8 per cent.

The bilateral deficit with Japan rose to $5.3bn before seasonal adjustment. The next-largest imbalance was a $1.5bn deficit with China.

Mr Ron Brown, commerce secretary, said the poor figures showed the importance of pursuing "expanded markets for our exports on all fronts". The US would press for "prompt fiscal stimulus in Japan, market-driven exchange rate corrections, and negotiations that remove the structural barriers to improved trade between our nations."

US trade deficit



Source: Datastream

On Tuesday, Mr Lawrence Summers, Treasury undersecretary for international affairs, urged Japan to do more to stimulate its economy. "Its trade surplus continues to grow, and serves as a drag on the rest of the world," he said.

The trade figures were the latest in a series of economic setbacks for the Clinton administration. Reports last week of a jump in consumer and wholesale prices rekindled fears of higher inflation. Speculation this week that the Federal Reserve might soon begin to tighten monetary policy sent long bond yields back above 7 per cent.

Imports rose 9.7 per cent between February and March to $49.2bn, a record in cash terms. For the first three months, imports were 11 per cent higher than in the same period last year.

As consumer demand was weaker than expected in the first quarter, importers stockpiled goods. Mr Brown said that indicated that import growth would probably decelerate in the current quarter.

The underlying trends, however, are not encouraging. Exports did better than expected in March, rising 5.6 per cent to $39bn. But in the first quarter as a whole, exports rose only 2.4 per cent relative to the same period last year.

Most analysts expect the trade deficit to widen this year, although not at the pace in March, reflecting faster growth in the US than elsewhere. In last month's budget, the trade deficit was projected to rise to $110bn-$140bn next fiscal year, against $84bn in calendar 1992.

By early afternoon the dollar had fallen to Y110.75 from the previous day's close of Y111.47.

Major rules out sterling's early re-entry into ERM

By Ralph Atkins in London

MR JOHN MAJOR yesterday put off indefinitely sterling's re-entry into the European exchange rate mechanism and made clear that Danish approval of Maastricht would not change Britain's stand against monetary union.

Ahead of an expected large revolt by Conservative Tory MPs over the Maastricht treaty today, the UK prime minister said the right conditions for considering ERM re-entry "simply do not apply at the moment and, in my judgment, are unlikely to apply for some time in the future."

At least 30 Conservative MPs will vote against the government tonight when the House of Commons gives the Maastricht treaty its third reading. A similar number of MPs in the oppositon Labour party will also vote against.

But the Labour leadership's decision to abstain means the government should secure passage of the bill with ease. It then goes to the House of Lords.

Mr Major said the prospects of a rapid move towards European economic and monetary union had "drifted away very substantially". He did not rule out the possibility of other countries moving to a single currency without Britain.

His refusal to contemplate Britain's rejoining the ERM cheered Conservative Euro-sceptics and came close to endorsing a prediction by Mr Kenneth Clarke, home secretary, that Britain would not re-enter until after the next general election. In practice, any early move would split the cabinet.

Despite euphoria among many European Community leaders at the Danish referendum result, Mr Major's believes that, there is support throughout the EC, including Germany, for wholesale reform of the ERM.

"The ERM, as it was when we left it, is an inadequate instrument that we could not re-enter," Mr Major said on BBC radio. Officials rejected suggestions that the prime minister was implying Britain might never rejoin but said there remained "big problems" with the ERM – although at least it was no longer regarded as a quasi fixed rate system.

Officially, re-entry depends on conditions set by the Treasury on correcting "faultlines" in the ERM and on bringing UK and Germany monetary polices into line.

Although pleased at the Danish referendum result on Maastricht, Mr Major said there would be no British consent for any move towards a centralist or federalist European structure. He singled out for attack the federalist visions of Mr Martin Bangemann, EC vice-president.

Tory life after Maastricht, Page 8

Head of Siemens in Italy held on bribes charges

By Robert Graham in Rome

MR Giorgio Scanavaca, chairman and chief executive of the Italian subsidiary of Siemens, the German electronics group, was arrested by Milan magistrates yesterday on corruption charges.

The arrest of Mr Scanavaca is understood to be in connection with magistrates' broadening inquiry into the payment of bribes to obtain telecommunications contracts.

The Italian subsidiary of Siemens now joins that of Britain's GEC Marconi and Sweden's Ericsson, which last week became involved in the same investigation. The chief executives of these two subsidiaries were arrested on May 12 on similar charges.

It is the first time in Italy's 15-month old corruption scandals, concerning the illicit funding of political parties in return for contracts, that so many foreign companies have been linked in a single line of inquiry. The big contracts in Italian telecommunications have been a major sector where foreign companies have bid for business in recent years.

According to usually reliable leaks from the Milan magistrates, more foreign companies are expected to be involved in the investigation. On Tuesday, the magistrates arrested Mr Davide Giacalone, from 1987-91 the personal assistant of Mr Oscar Mammi, the Republican posts minister. The magistrates have suggested that as much as L40bn ($26m) has been paid out in bribes during the past five years.

The investigations follow the arrest earlier this month of Mr Giuseppe Parrella, a former managing director of ASST, the state-run telephone services company.

Mr Parrella is regarded as having been the principal "collector" of illicit funds on behalf of the main political parties in the posts and telecommunications sector and is understood to be co-operating with magistrates.

His testimony in part led to the involvement at the weekend of Olivetti, the computer and office equipment group, headed by Mr Carlo De Benedetti. On Sunday Mr De Benedetti handed over to Milan magistrates an 11 page deposition in which he detailed illicit payments of L10.02bn in addition to other payments with a combined total close to L20bn – so far the largest known sum handed over to the political parties by a private group in the current scandals.

In another development yesterday, Mr Claudio Burlando, the mayor of Genoa, was arrested on charges of alleged fraud and abuse of office in relation to contracts for the city's celebration of the 500th anniversary of Columbus's discovery of America. Mr Burlando is a member of the Party of the Democratic Left (PDS), the renamed Communists.

His arrest threatens to embarrass the PDS which has been trying to distance itself from involvement in taking bribes.

Danish tax rates cut after vote

Continued from Page 1

package for eastern Europe before Denmark hands over the presidency to Belgium on July 1.

The Danes approved Maastricht by a margin of 56.8 per cent in favour to 43.2 per cent against, on an 86.2 per cent turnout, reversing the rejection of the treaty in a poll last June.

Mr Rasmussen said the signal from Danish voters was that Europe's political leaders must close the gap that had opened between them and their electorates over Maastricht by adopting pragmatic policies which tackled problems such as unemployment. "We have to be more engaged", he said.

He said the government's economic package would bring the jobless rate down from 12 per cent at present to about 11 per cent in 1994. Marginal income tax rates would be cut from next year to a band of 38 to 58 per cent, compared with 52 to 68 per cent at present.

The tax cuts will eventually be financed by "green" taxes on petrol, electricity, heating, water consumption and, among other things, plastic bags.

Squatters see EC as capitalist conspiracy

Continued from Page 1

rebro which had their windows smashed.

Hard-core BZers probably number no more than a few hundred, though they may have the sympathy of several thousand more disaffected youngsters in the capital. Between 300 and 500 demonstrators were said to have been involved in Tuesday night's disturbances.

The BZers have been a feature of life in inner city Copenhagen for the past 15 years. They periodically clash with police, sometimes smashing windows in commercial premises in the city centre, but had not previously been involved in violence on the scale of that which erupted on Tuesday.

Last winter they caused serious problems for Swedish police in Malmö, just across the Oresund from Copenhagen, when they staged a counter-protest against Swedish anti-immigrant demonstrators.

The government, led by the Social Democratic party, was appalled that its success in getting Maastricht approved at the second attempt on Tuesday was marred by what were for Denmark extremely rare scenes of vicious street violence. It said the rioters were an isolated fringe who deliberately set out to cause trouble.

"That is pure bullshit," scoffed a third BZer, speaking inside the dingy "youth house" under a huge mural saying "Smash Racism and Fascism". In common with his colleagues, he refused to give his name – and spoke fluent and richly profane English.

His friend insisted the riot was spontaneous. "Everyone who voted No was very depressed and angry. We wanted to do something. We wanted to go crazy."

The other inhabitants of Norrebro, a relatively poor but far from deprived area, tended to confirm the government's view that the BZers were a small group who do not represent a wide band of opinion.

An apartment block caretaker said: "There used to be sympathy around here for them because they have no hope of jobs or homes. But when we helped them, with collections of money, they just screwed things up. We have no problems with the local police here. We respect them. I think the people last night came from outside."

Saarstahl failure blamed on EC policy

Continued from Page 1

will one day take its responsibilities seriously and ensure equal conditions for all steelmakers. This is clearly not the case as long as Italian and Spanish producers are allowed massive state subsidies."

The statement by Thyssen underlined the deep concern at the heart of the German industry over the crisis, and at the emergency measures being taken to keep weak producers in operation.

The company warned that if both Saarstahl and Klöckner-Werke, the other German steelmaker currently seeking a debt write-off with its main creditors, are kept going artificially, it would have "negative consequences on the rest of the industry". Thyssen employs 13,000 workers just in the manufacture of long products, like steel sections, rods and wire, where EC overcapacity is greatest.

It sharply criticised the Saarland government for suggesting that Saarstahl might be kept in operation, which would simply make the restructuring of the European industry more difficult.

The steel manufacturers' federation said the bankruptcy of Saarstahl provided a graphic illustration of "the total absurdity of European subsidy policy".

In spite of massive public subsidies, the fundamental structural problems of individual enterprises had not been resolved, Mr Ruprecht Vondran, president of the association, said.

David Buchan adds from Paris: Usinor-Sacilor said yesterday it would have to take a FFr1.4bn loss in its 1993 accounts, representing its loans to subsidiary, which would not now be repaid. At the same time, SP-Adef, the French credit rating agency, said it was downgrading Usinor's commercial paper.

World Weather

		°C	°F
Ajaccio	R	19	66
Algiers	S	23	73
Amsterdam	F	17	63
Athens	T	22	[illegible]
Bahrain	S	33	91
Bangkok	R	28	82
Barcelona	T	17	63
Boulogne	S	14	57
Brussels	S	17	63
Budapest	F	27	81
Buenos Aires	F	19	66
Cairo	S	29	84
Cape Town	S	17	63
Caracas	F	31	88
Casablanca †	F	19	66
Chicago †	C	8	46
Cologne	F	23	73
Frankfurt	F	22	72
Geneva	S	20	68
Gibraltar	S	20	68
Glasgow	R	11	52
Helsinki	S	25	77
Hong Kong	F	30	86
Innsbruck	F	26	79
Inverness	F	11	52
Islamabad	F	35	95
Istanbul	T	19	66
Majorca	F	[illegible]	70
Malaga	S	21	70
Malta	S	24	75
Manila	C	35	95
Melbourne	[illegible]	17	63
Mexico City		-	-
Miami †	S	26	79
Milan	C	21	70
Montreal †	C	10	50
Moscow	S	21	70
Oporto	R	13	55
Oslo	S	22	72
Paris	F	18	64
Prague	S	27	81
Reykjavik	R	10	50
Rhodes	S	21	70
Rio de Janeiro	C	24	75
Rome	S	24	75
Salzburg	S	26	79
S'Francisco †	C	17	63
Tenerife	C	20	68
Tokyo	S	25	77
Toronto †	R	8	46
Tunis	S	23	73
Valencia	C	24	75
Venice	S	24	75
Vienna	S	27	81
Warsaw	F	25	77
Washington †	C	14	57
Zurich	[illegible]	23	73

THE LEX COLUMN

Off note from Bass

Bass has a disingenuous way of describing the beer market as subject to increased aggression rather than a price war. But there is no mistaking the gauntlet it threw down yesterday. With its existing market share of around 23 per cent, economies of scale from brewery closures and a balance sheet strong enough to support more free trade loans, the chances are that it will succeed in raising market share where others fail. The real question concerns the cost. Some of that is coming through already.

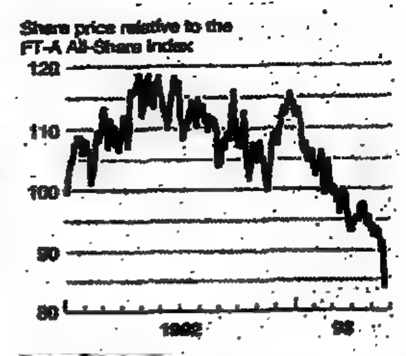
Bass claims its underlying beer margins rose in the first half, but that is before the £9m increase in the provision for bad debts. After the provision, which must reflect its efforts to win new business, margins fell to 8.7 per cent from 9.3 per cent. That sacrifice has, however, produced a gain in market share of only 0.2 per cent.

Yesterday's 9 per cent fall in the shares may be a step adjustment to a situation where Bass can expect little increase in earnings over the next couple of years while other companies enjoy the recovery. But there are other niggling worries which prevent the shares seeming much of a bargain. These include the sudden need for a further £4.9m restructuring charge in brewing, the downturn in European hotels, and – an issue the company glossed over yesterday – the weakness in US hotel profits despite higher occupancy and room rates. Since it is on such tricky ground, Bass might do well to reconsider its refusal to split the roles of chairman and chief executive.

FT-SE Index: 2819.7 (-27.6)

Bass

Share price relative to the FT-A All-Share Index



Source: Datastream

UK takeovers

Nervous poorly performing companies may be surprised but relieved by the deathly quiet on the UK takeover scene. There is, however, little prey of obvious value in the market. Since devaluation the FT-A All-Share index has risen by 25 per cent. That figure masks an even stronger performance from recovery shares: the FT-SE Mid 250 index has risen by some 46 per cent. Such increases run well ahead of any likely improvement in corporate earnings over the next 18 months. Economic growth may be sluggish, and much of the easy cost cutting has already been forced on even the weakest managements by the three-year recession. Under the circumstances, it is hard for predators to justify paying hefty premiums for control.

Management psychology has also turned against bids after some scarring experiences in the late 1980s. Many friendly bidders find that vendors are still asking unrealistically high prices. Hostile bids, however, offer little opportunity for due diligence examination of the target's finances, increasing the risks at a time when buyers lack confidence. Bank finance is hard to come by for cash bids – indeed some predators have risked losing existing banking lines if they considered acquisitions. Paper bids are a good deal harder to sell to sceptical institutions.

In any event, takeovers often feature much later in the economic cycle. Bid activity last hit bottom in 1983 – some two years after the recession had ended. But bids have not fallen permanently from fashion. Some institutions regard a bid as the cleanest and most effective way to shake up a poorly performing company. And doubtless a few situations still remain overlooked by all but the sharpest eyes.

Saatchi & Saatchi

It is an odd state of affairs when tax considerations provide one of the principal justifications for a rights issue. Yet oddity is something of a speciality for Saatchi & Saatchi and the group's accumulated tax losses represent one of its few financial strengths. The £73m rights issue allows it to exploit them neatly to enhance earnings. Half the proceeds will be used to reduce debt resulting in a smaller interest charge and lower tax rate. About £19m will be spent buying out minority interests in mainland European agencies. This, too, helps tax efficiency. Saatchi will spend the rest improving service levels, upgrading its information technology and expanding its international coverage. Expertise in the Chinese market is all the rage, it seems.

So far, so useful. Sadly, though, Saatchi still has a poor trading story to tell. Theoretically, advertising should be an early beneficiary of recovery but there is not much sign of it yet. An additional worry is that the Marlboro mayhem seems to have caused brand managers to reassess promotional strategies, creating something of a hiatus in advertising spend. Saatchi's wafer-thin margins provide little leeway should events again turn nasty. Future profits will be drained by £25m of earn-out payments. That provides all the more reason to seek value elsewhere. Gold Greenlees Trott and WPP seem better poised.

Compass

It is difficult to avoid the conclusion that, in stock market terms at least, Compass is a business whose moment has gone. The £72m acquisition of SAS's catering arm is an attractive enough deal and will enhance earnings. The trouble is that at this point in the cycle contract catering looks a trifle dull. Likely earnings growth in single figures and a sub-market yield represent meagre attractions.

Compass must hope that disillusion with the financial constraints facing many recovery stocks will encourage investors to return to its steadier virtues. Such concerns will not be lost on Gardner Merchant as it contemplates its eventual market debut.

Allied-Lyons

Allied-Lyons must be distressed beyond measure at the publicity surrounding its £200m convertible bond issue. The share price had already fallen before the news inexplicably found its way into the weekend press. It jumped over 2 per cent when no bond emerged with the results on Tuesday morning, though the enthusiasm wore off during the day as the market began to suspect that the issue was looming after all. The price fell sharply again yesterday when it was finally launched. That sort of confusion occurs in a market forced to rely on hint and innuendo. It would have been prevented if Allied had come clean with a formal statement about its intentions. It would have lost nothing by doing so once they had been leaked.

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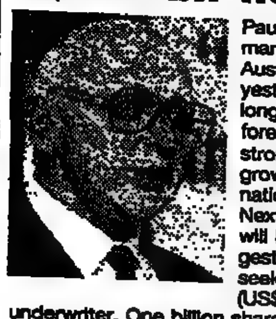
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 20 1993

INSIDE

Woolworths launches A$2.45bn flotation

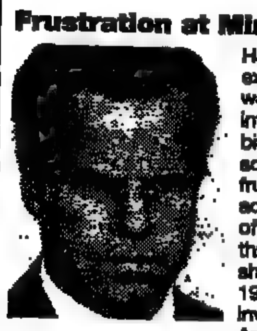


Paul Simons (left), chairman of Woolworths, the Australian retailing group, yesterday launched its long-awaited flotation, with forecasts of continued strong earnings and sales growth, against the national retailing trend. Next month's share sale will be the country's biggest corporate flotation, seeking up to A$2.45bn (US$1.69bn) without an underwriter. One billion shares will be offered at a price between A$2.15 and A$2.45, to be determined by an institutional tendering process. Page 18

Campbell Soup rises 19 per cent

Campbell Soup has lifted third-quarter profits 19 per cent to $108.5m after tax. The US foods group increased its sales by 6 per cent to $1.63bn, during the three months to May 2, mostly due to the first-time consolidation of Campbell's 58 per cent stake in Arnotts, the Australian biscuit company. Page 17

Frustration at Minorco

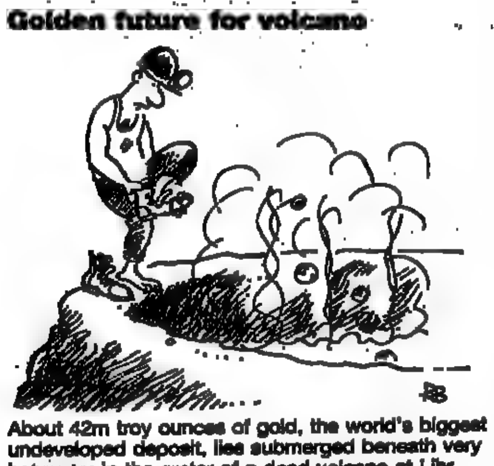


Hank Slack (left), chief executive of Minorco, wants to turn the company into one of the world's biggest mining groups. But so far his plans have been frustrated. Two planned acquisitions worth a total of US$1bn have slipped through his hands and shares in Minorco, until 1988 a sleepy offshore investment arm of the Anglo American Corporation-De Beers group of South Africa, are languishing at a 30 to 40 per cent discount to asset values. Page 17

Allied-Lyons launches issue

Allied-Lyons yesterday launched its £200m ($300m) convertible bonds issue, news of which was leaked last weekend and led to three days of see-sawing share prices. Financial advisers to the drinks, food and retailing group, were yesterday discussing the leakage with the stock exchange. The company said decisions about possible action would be made after the talks. Page 20

Golden future for volcano



About 42m troy ounces of gold, the world's biggest undeveloped deposit, lies submerged beneath very hot water in the crater of a dead volcano at Lihr Island in Papua New Guinea. Plans to extract it received a boost yesterday. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Wella Prf	719	+	17
Falls			
Asko Prf	500	-	20
Douglas Hldg	480	-	17.5
Hertiz	285	-	5
Schering	766.5	-	14
Varien-West	334	-	8

NEW YORK ($)

Rises			
Hewlett Packrd	85	+	¾
Microsoft	90¾	+	2
Falls			
Chrysler	42¾	-	¾
Ford Motor	51⅜	-	2⅜
General Motors	38½	-	¾
Homestake Mng	18¾	-	⅜

PARIS (FFr)

Rises			
Intertechnique	472.8	+	12.8
Roussel-Uclaf	511	+	11
Sagem	3410	+	99
Falls			
Dollfus Mieg Cie	240.5	-	9.5
Michelin B	141.5	-	5.6
Redoute	7350	-	250

TOKYO (Yen)

Rises			
Fuji Spinning	563	+	25
Hitachi Sales	619	+	37
Meiji Machine	562	+	61
Ricoh	733	+	32
Seibu Railway	3390	+	180
Falls			
Akebono Brake	620	-	17

New York prices at 12:30.

LONDON (Pence)

Rises			
Anglo Irish Bk	51	+	3
Cluff Res	36½	+	5
Gowrings	58	+	4
Graig Ship A	155	+	26
Hammerson A	325	+	11
Heritage	57	+	9
Huntleigh Tech	413	+	35
Owen Robinson	9	+	2
Prowting	145	+	7
Tiphook	295	+	43
Transfer Tech	535	+	18
Vaal Reefs	£47⅝	+	5⅛
Wellcome	764	+	15
Falls			
Allied-Lyons	531	-	12
BAT Inds	822½	-	21½
Bass	483	-	50
Cadbury Schw	436	-	11
Densitron	38	-	5
English China	433	-	15
Enterprise Oil	458	-	18
Hewitt	195	-	13
Linx Printing	131	-	8
Redland	494	-	17

Deutsche Bank makes firm start to year

By David Waller in Frankfurt

TOTAL operating profits at the Deutsche Bank group rose by "a good 20 per cent" in the first four months of the year against the comparable period for 1992, the chief executive of Germany's biggest bank told shareholders yesterday.

Mr Hilmar Kopper said at Deutsche Bank's annual meeting that it was unrealistic to expect this level of growth to be maintained throughout the year as a whole. Last year, the bank's total operating profits rose by 7 per cent to DM6.39bn ($3.96bn).

But he said that the result for the year would be satisfactory, given the sharp recession in the German economy. He warned that provisions for bad and doubtful debts would have to be on the same scale as last year, when they reached DM2.6bn.

Deutsche gave no figures, but the percentage increases are calculated with reference to a third of the total figure last year, rather than the actual profits made in the the first four months of last year. Thus total operating profits in the first four months of the current year were in the region of DM2.55bn, up about 16 per cent from the actual figure for the first third of 1992.

Deutsche is the third of Germany's big three banks to report excellent growth in operating profits in the early months of the current year. Commerzbank improved its profits by more than 25 per cent in the period from January to March and Dresdner Bank by 15 per cent in the first four months.

These profit increases provide a slightly unrealistic picture of German banks' prosperity as they are calculated before provisions which are set to rise steeply over the course of the current year, reflecting deteriorating credit risks in recession-struck Germany.

As at other large German banks that have reported strong growth in profits for the early months of the current year, the bulk of the gain at Deutsche Bank came from own-account trading activities, stimulated by buoyant conditions in bund and equity markets earlier in the year.

Growth in net interest income was more subdued.

Own-account trading profits rose by 32 per cent, Mr Kopper said, and commission income climbed by 13 per cent, while net interest income rose 6 per cent.

Compass to acquire catering from SAS

By Richard Gourlay in London

COMPASS GROUP, the UK healthcare and catering company, is to move into continental Europe through the acquisition of the airport restaurant and contract catering business of SAS Service Partner, the subsidiary of the Swedish airline.

The £71.9m ($110.72m) purchase price is to be funded through a six for 19 rights issue at 420p. The rights issue will raise £86.8m.

The acquisition will give Compass a presence in eight mainly northern European countries, and 34 airports. It will also provide an entry into the fragmented continental contract catering business, although most of the SAS contracts are in Scandinavia or in the off-shore sector where growth prospects are limited in the short term.

UK analysts have recently been concerned that Compass has been better at improving margins through tight purchasing than increasing sales.

But the London stock market reacted enthusiastically yesterday – the shares rose 1p to 528p.

Compass also reported an increase in pre-tax profits from £17m to £18.2m for the six months to end March on sales up 18.6 per cent at £209.4m. Earnings per share rose from 16.8p to 18p and the group is to pay a 4.44p interim dividend, up 6 per cent.

The board forecast a final dividend of not less than 8.56p which, if paid, would mean a 5.7 per cent increase over 1992.

Mr Francis Mackay, chief executive, said the catering division had performed well with operating profits rising 8 per cent to £14.6m.

Background, Page 20;
Lex, Page 14

Nicholas Denton reports on the need for a recapitalisation

The hole at Hungary's banking heart

Behind the World Bank and International Monetary Fund's belief that Hungary's big banks need rescuing are some compelling facts.

The capital of the two biggest banks – Magyar Hitel Bank and Kereskedelmi Bank – is wiped out when international accounting standards are applied to their bad loans. Economic output has fallen 18 per cent in the last three years. The disappearance of demand from former Comecon countries has worsened the recession, hitting hardest the socialist industrial giants like Ikarus, Taurus, Videoton and Borsodchem which make up the rotten core of Hitel Bank's clientele.

In 1991 parliament passed strict new laws: on bankruptcy, causing about a tenth of companies to go into liquidation or file for protection from creditors; and on financial institutions, giving banks the incentive to recognise bad debts.

The banking sector's loans classified as bad, doubtful or sub-standard rose to Ft262bn ($2.9bn) – 17 per cent of all loans and 10 per cent of GDP – in September 1992. Hitel Bank says its non-performing loans tripled from Ft25bn in December 1991 to Ft78bn at the peak last year.

The result has been a sharp credit crunch. Banks, faced with the need to make huge provisions, have charged high real interest rates to maintain margins and produce paper operating profits estimated at Ft39.7bn for the whole sector in 1992. The average interest rate on short-term corporate loans was 28.2 per cent at the end of 1992, compared with inflation of 21.6 per cent over the year.

The cost of borrowing has pushed bad risks to the wall and good risks abroad – or, like Nestlé, McDonalds and other western investors in Hungary, directly to the capital markets.

Made cautious by defaults, banks slightly reduced their outstanding credit to enterprises in 1992, a sharp fall in real terms. "A prudent policy today means extreme conservatism," says Mr Gyorgy Ivanyi, president of Inter-Europa Bank. The World Bank study concludes that: "The financial system is unable to finance the transformation to a market economy."

A one-off recapitalisation is widely seen as essential. Economic recovery is still feeble and loan portfolios are deteriorating. Weaker banks are losing their better clients to stronger ones. Mr Szalkai admits that Hitel Bank is at a "threshold," from which it could spiral downwards.

Recapitalisation must also put the banking sector into condition for privatisation before more of the potential acquirers lose patience and set up local subsidiaries from scratch.

An injection of funds, however, would allow bank managers to escape the consequence of past errors. Magyar Hitel Bank, Kereskedelmi Bank and Budapest Bank inherited a portfolio of loans made under communist logic when hived off from the National Bank of Hungary in 1987. Since then, managers have been responsible for their own decisions – and some of them have proved painful.

Hitel Bank, for instance, has paid the price of a focus on lending to start-up businesses. The policy has won popularity, but the losses have been heavy. Mr Szalkai says that the default rate for new business is as high as on the old, communist-inspired loans.

Kontrax, one of Hungary's largest domestic private groups, only this month declared bankruptcy owing Ft4.2bn to Hitel Bank and other creditors. Hitel Bank has also been reluctant to reduce exposure to inherited shaky borrowers for fear of pushing them into bankruptcy. "In creditors' meetings Hitel Bank is always there," says a banker.

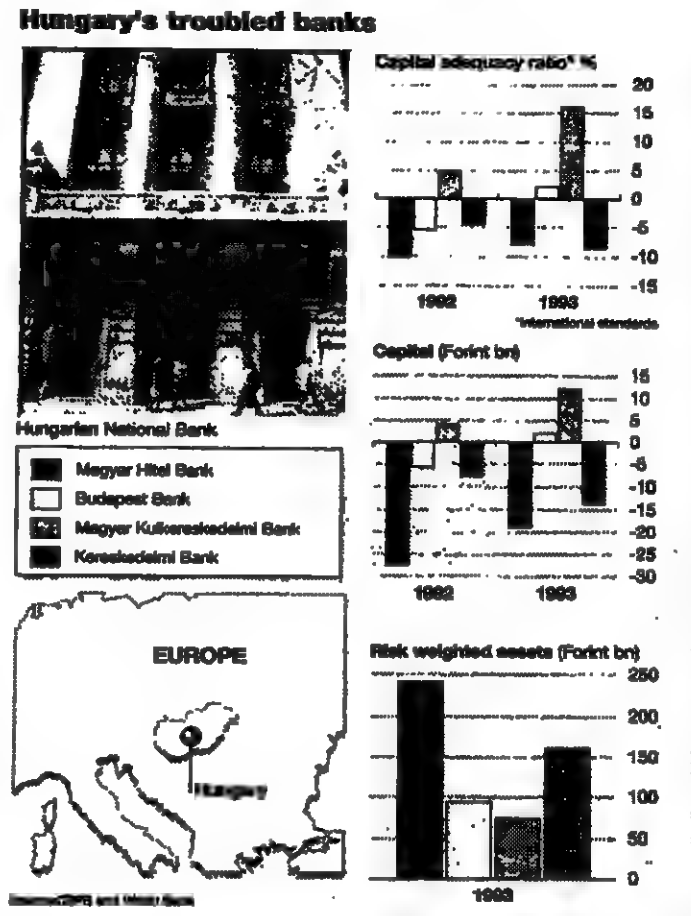
In contrast, Budapest Bank has pulled away from the other two commercial banks. Under Mr Lajos Bokros, managing director, Budapest Bank's capital has improved as a proportion of assets from -5.5 per cent in 1992 to +2.3 per cent this year.

In 1991, Mr Bokros anticipated the wave of client bankruptcies to come. He defied the finance ministry's hunger for taxable profits and provisioned furiously.

Mr Bokros has taken a pay cut, drives a second-hand Renault and flies economy class. He has refused to follow other banks in financing newspapers and political foundations.

This approach has won him the admiration of the Budapest financial community. But it has done him little good politically. The World Bank study calls for managment changes at the worse performing banks. Yet it is over Mr Bokros's future that the biggest political uncertainties hang.

Hungary's troubled banks



Rivals bid for stake in Belgian bank

By Andrew Hill in Brussels

FORTIS, the Dutch-Belgian financial services group, and Générale de Banque, Belgium's largest bank, are to fight it out for a stake in the Belgian state-owned savings bank, ASLK-CGER, in the first round of a four-year BFr70bn ($2bn) Belgian privatisation programme.

The sale of up to 49 per cent of ASLK-CGER, which has a network of bank and insurance branches, could raise as much as BFr33bn for the government and help reduce its budget deficit.

Mr Philippe Maystadt, the Belgian finance minister, has also indicated that a bid for a majority stake in ASLK-CGER would be considered, although Belgian legislation would have to be altered to allow the state to give up control.

The deadline for submitting "indicative non-binding" offers for ASLK-CGER closed yesterday afternoon.

Both Fortis – which groups the activities of the Belgian insurer AG and the Dutch group Amev – and Générale de Banque confirmed they had bid. They refused to give further details or indicate whether they had bid for a majority or minority stake.

Internationale Nederlanden Groep, the Dutch financial services group which last year considered bidding for Banque Bruxelles Lambert, another leading Belgian bank, will not be making an offer for ASLK-CGER.

ING paid the required BFr2.5m to examine the ASLK-CGER prospectus but decided the group would not fit into its strategy.

Until recently Générale de Banque and Fortis were considering linking up with one another to develop "bancassurance" activities in Belgium, but they fell out over the terms of co-operation and Fortis sold most of its 14.7 per cent stake in the bank a month ago.

It was not clear yesterday whether other bids had been submitted.

ASLK-CGER, which is being advised by Petercam, the Belgian broker, will now consider the bids and submit its decision for approval by the government before the summer. Fortis said it hoped the sale could be concluded by the end of the year.

Separately, Nederlandse Nationale Investeringsbank, a Dutch state-controlled bank, said it had sought information about the privatisation of two other Belgian savings institutions, NIM-SNI and NMKN-SNCI.

Saatchi surprises City with rights issue to raise £73m

By Gary Mead, Marketing Correspondent

SAATCHI and Saatchi, the world's fourth largest advertising group, yesterday sprang a £73m ($112.42m) rights issue on the City.

Shareholders are asked to pay 130p, a 24 per cent discount to Tuesday's closing price of 172p, on the basis of 10 new shares for every 27 held.

About £36.5m of the cash will be used to reduce bank debt (average net debt was £194m in December 1992). £19m will be used to acquire minority interests in European advertising subsidiaries, £10.5m will be used to strengthen media buying businesses and to develop businesses in growing markets in Asia, Latin America and east Europe, £7m will be used to acquire new information technology.

The targeted minority interests are 50 per cent of SSAW Italy; 20 per cent of Grupo BSB Spain; and 37 per cent of Scholz & Friends Germany.

Mr Charles Scott, chief executive, said yesterday that the group's 20-bank syndicate fully approved the rights issue. He was confident that institutional investors would support the call for additional cash. For Mr Scott, the rights is a continuation of the process of putting the group back on a sound financial footing.

The rights issue is fully underwritten by SG Warburg and UBS Ltd. The largest institutional investor is the State of Wisconsin Investment Board with 8.99 per cent. Currently, 50 per cent of the group's shareholders are in the US and 40 per cent in the UK. Of the UK shareholders, half are private individuals.

Since 1990 the group has sold seven non-core businesses and is now concentrating, Mr Scott said, on organic growth of its main business, global advertising. However, there are some doubts about future trading in the US, where one of the group's most important clients, Mars, has recently consolidated its media buying outside the Saatchi group.

In March 1991 Saatchi achieved a recapitalisation, which removed the threat of having to redeem £211m of Euro-preference shares. Saatchi's share price has moved from the equivalent of more than £60 in 1986, to 95p in December 1991, touching 245p in May 1992. Saatchi's share price yesterday dropped to 161p but finished the day down just 2p at 170p.

Lex, Page 14

Bass falls 14% as hotels suffer

By Philip Rawstorne in London

BASS, the UK brewing and hotels group, reported a 14 per cent decline in first half pre-tax profits as Holiday Inns in continental Europe were affected by growing recession and the UK brewing business increased provisions for bad debts.

Profits for the six months to April 10 fell from £266m to £228m ($351.12m) – the market responded by taking 50p from the shares which closed at 483p.

Mr Ian Prosser, chairman and chief executive, said UK sales trends in the past few weeks suggested that the economy was finally stirring. "But we do not expect any recovery will be fast, and so expect limited benefit from it in the second half of our trading year."

Group operating profits slipped from £285m to £268m on turnover 2 per cent higher at £2.3bn.

Brewing profits were 5.2 per cent lower at £73m, after bad debt provisions were increased from £10m to £19m. Beer volumes were marginally higher, despite the group's disposal of 872 pubs. Overall market share rose 0.2 percentage points.

Rationalisation savings helped ease the pressure from competitive discounting but, after the bad debt provisions, margins declined from 9.3 per cent to 8.7 per cent.

Pub profits, reflecting the reduction in outlets, fell 11 per cent to £98m on turnover 2 per cent lower at £568m. Capital spending of £48m was slightly lower.

Holiday Inn profits dropped from £54m to £50m on turnover which increased 18 per cent to £289m. Improvement in North America was more than offset by an £8m fall in profits from the European operations. In the half year, 70 hotels joined the Holiday Inn system worldwide, and a further 200 hotels are due to join in the next 18 months.

Profits from Britvic soft drinks declined 28 per cent to £5m, largely due to increased costs as a result of sterling's devaluation.

The strengthening of the dollar also added £150m to the group's net borrowings which, in total, rose £400m. Gearing increased from 19 per cent to 31 per cent; and interest charges moved from £27m to £39m. Earnings per share declined from 20.9p to 17.4p but the interim dividend is raised 3.8 per cent to 5.45p.

Lex, Page 14; London Stock Exchange, Page 25

Swiss judge freezes two KIO bank accounts

By Peter Bruce in Madrid

TWO SWISS BANK accounts belonging to the Kuwait Investment Office (KIO), the overseas investment arm of the Kuwaiti finance ministry, have been frozen by a Geneva judge following a petition by the Italian cardboard producer, Sarrio.

The attachment of the accounts is a significant victory for Sarrio, which is suing the KIO in Spain for non-payment of part of the price of assets sold to the KIO's Spanish subsidiary, Grupo Torras (GT), in 1991.

The Italians accepted shares in Torras Papel, a GT subsidiary, as partial payment for their Spanish paper interests, with the agreement that these shares could be "put" back to GT in three instalments.

The Kuwaitis paid the first instalment but new managers, who took over the KIO last May, have not, says Sarrio, made the second and third payment. GT is in receivership.

Sarrio applied for, and won, an attachment order in Switzerland on May 11. The accounts affected are at Lombard Odier, the private bank, and the Swiss Kuwaiti Bank.

It is not known how much money is now in the accounts. Sarrio is trying to retrieve SFr112m ($76.7m) and the KIO is likely to ask that at least one of the accounts be unfrozen in the meantime.

The move by Sarrio could pose a serious threat to the Kuwaitis, however. If Sarrio is allowed to retrieve the money it wants from one or other of the accounts it might create a judicial precedent and allow other GT creditors to make claims directly from the KIO.

The KIO's lawyers are understood to feel the retrieval attempt will fail, however. The KIO claims it is merely a shareholder, and not the owner, of GT.

● Corporacion Banesto, the industrial holding owned by the Spain's Banesto banking group, reported first-quarter pre-tax profits of Pta147m ($1.8bn), against a Pta4.6bn loss in the same period of 1992.

The holding said turnover was down 30 per cent to Pta69.8bn and that the sharp turnaround was in part due to lowered debt servicing costs.

EniChem's big losses hit Snam results

By Haig Simonian in Milan

SNAM, the gas distribution subsidiary of Italy's Eni energy and chemicals holding company, suffered a steep drop in net profits to L139bn ($90.79m) last year from L636bn in 1991.

As with Agip, the Eni-controlled upstream oil and gas group which reported a sharp earnings decline last week, Snam's profits were pulled down by impact of the steep losses at EniChem, Eni's chemicals subsidiary.

EniChem, in which Snam and Agip have substantial stakes through the Sci holding company, recently reported losses of L1,560bn for 1992, more than double the amount lost the previous year.

Snam, which is on the Italian government's privatisation list, also blamed its profits drop on continuing losses in the mining and metalurgy businesses.

Group turnover fell slightly to L10,807bn from L11,244bn in 1991, with a slight decline in sales of natural gas to 48.1bn cu metres.

Operating profits rose by 8.9 per cent to L2,200bn

Uni Storebrand back in the black

By Karen Fossli in Oslo

UNI STOREBRAND, Norway's biggest insurer, yesterday reported a first-quarter profit, before allocations, of NKr150m ($21.8m), compared with a pro-forma loss of NKr151m in the same period last year.

The group, which is producing quarterly results for the first time, says its expects a good result for 1993 as a whole.

The figures reflect consolidated results of Uni Storebrand, which is under public administration, and Uni Storebrand New, which was established following Uni's collapse last August.

Mr Per Terje Vold, chief executive, attributed the improved performance mainly to substantial gains on securities and lower interest rates.

First-quarter net operating income for Uni Storebrand New was NKr5.86bn. No comparative pro-forma Uni New figures were given. Uni New posted a first-quarter profit, before allocations, of NKr209m.

Uni did, however, give comparative pro-forma 1992 figures for individual business units.

Life insurance business doubled first-quarter profit to NKr1.04bn from a pro-forma NKr512m, in spite of a fall in market share of 1.9 percentage points to 32.8 per cent. Premium income in the first quarter fell to NKr1.48bn from a pro-forma NKr1.83bn.

Non-life business posted a first-quarter profit of NKr87m against a pro-forma loss of NKr110m. Uni said this year's figure included a charge of NKr121m related to claims. Premium income rose to NKr1.78bn from NKr1.67bn.

The stronger result is mostly due to a transfer of NKr105.7m in surplus reserves.

International business lifted profit to NKr31m from a pro-forma NKr21m. Premium income remained at last year's level of NKr1bn.

Mr Vold said the international unit was undergoing a restructuring in which the scope of business would focus on reinsurance.

● Kansallis-Osake-Pankki, Finland's leading commercial bank, yesterday launched a FM300m ($54m) perpetual subordinated bond issue in the domestic market to help strengthen its capital base.

The move is part of a broader plan to raise FM2bn in Tier Two capital on the domestic and international markets in the next few years, following the bank's recent successful FM1bn rights issue. Like other Finnish banks, KOP has suffered heavy losses and its capital adequacy ratio has been badly eroded.

The subordinated bonds are the first perpetuals to be issued by KOP. The coupon is 1.4 per cent above 6-month Helibor for the first five years, 1.90 per cent above 6-month Helibor for the next five years, and 2.4 per cent above 6-month Helibor in subsequent years.

The issue price is 100 per cent and the subscription period runs from May 26 to June 24.

Chinese group buys HK stake

By Simon Davies in Hong Kong

CHINESE steel company Shougang has taken a 74 per cent stake in a fourth Hong Kong listed company, Kader Investment, for HK$582m (US$75.3m), despite last week's tougher stance on back-door listings by Hong Kong's regulators.

Following the acquisition, Mr Deng Zhifang, son of Chinese paramount leader Deng Xiaoping, will join the Hong Kong company's board of directors, underlining the high profile role China is now taking in its future sovereign territory. Since the October announcement that Beijing would list nine mainland-registered companies on the Hong Kong stock market, there has been an explosion in the number of Chinese companies taking an easier route, through back-door listings.

In the eight months these nine mainland companies have struggled to resolve legal and corporate obstacles to their Hong Kong flotations, Chinese entities have taken stakes of more than 25 per cent in 12 listed companies.

The stock exchange said last week it was clamping down on companies circumventing listing regulations by purchasing shell companies and injecting in privately-held assets.

Shougang said that it would neither sell any "material" assets to Kader, nor change its focus from property investment.

Only days before the stock exchange decision, Shougang had announced a HK$1.8bn rights issue by another newly-acquired subsidiary, Tung Wing Steel.

The Kader stake was purchased from the Ting family and the family's toy manufacturing company Kader Holdings.

Singer in China hire-purchase venture

By Simon Davies

ALMOST a century and a half after it pioneered the hire purchase system in the US, the Singer sewing machine group is to try the same idea in China's booming retail market.

Singer Credit, a company jointly owned by Singer and its Hong Kong-listed parent Semi-Tech (Global), has formed a hire-purchase joint venture company with China's largest savings bank, the Industrial & Commercial Bank of China (ICBC).

The primary focus of Singer Trust & Credit (Shanghai) will be to develop sales for Singer's growing retail network in China, rather than to become a profitable business in itself. Singer will have opened 12 retail outlets in China by the end of this year.

Mr Shen Ruo Lei, president of the Shanghai Branch of ICBC, who attended yesterday's signing ceremony, said: "This joint venture company is the first of this type [in China] and will become the forerunner of the hire purchase business in China."

Consumer spending in China has been rising steeply, with retail sales up 25.4 per cent year-on-year in April.

Ahold acquires Portuguese store chain

AHOLD, the Dutch supermarket group, yesterday bolstered its position in Portugal through the planned acquisition of a 45-store supermarket chain with its Portuguese joint-venture partner, Jeronimo Martins, writes Ronald van de Krol in Amsterdam.

The supermarkets, which operate under the names Modelo and Saco Cheio and which will be acquired from Sonae Distribuicao, have annual sales equivalent to Fl 330m ($183m).

They will be integrated with Jeronimo Martins' main existing supermarket chain, Pingo Doce, which currently has 40 stores.

Exchanges study services merger

By Ronald van de Krol in Amsterdam

THE AMSTERDAM Stock Exchange and the European Options Exchange (EOE) in Amsterdam plan to ask a consultancy firm to investigate a merger of their off-floor support services.

Coopers and Lybrand Management Consultants will report on the findings in the autumn. The support services to be investigated will include legal advice, financial administration and accounting.

The exchanges, which are eager to cut costs to remain competitive within Europe, established a joint executive committee in 1991 to look into closer links. Reports appeared in the Dutch press recently saying that the bourse and the options exchange might be planning a full merger. Spokesmen for both sides, however, have played downed the suggestion, saying it was premature.

Both exchanges are preparing for changes prompted by the dual necessity of reducing costs and bolstering competitiveness with rival exchanges in Europe.

The EOE plans to alter its trading system to combine traditional open-outcry floor trading with a new computer screen option. The stock exchange plans to split the wholesale and retail segments of the market.

The stock exchange in particular is concerned about the loss of business to London where Dutch government bonds and, increasingly, Dutch shares are traded.

Santander faces fresh tax inquiry

By Tom Burns in Madrid

BANCO SANTANDER, the Spanish banking group, faces renewed investigations over a tax avoidance scheme it allegedly pioneered, and has been ordered to put up Pta3.5bn ($28.6m) as surety against possible fraud charges by the senior judge of Madrid's monetary court.

The fresh embarrassment for Santander coincides with its launch of $195m preferential shares issue in the US. This is the fourth such issue in 18 months and completes a programme which will have raised a total of $750m for the group.

The ruling by a senior judge of Madrid's monetary court reverses a decision taken in January when the court revoked a original Pta8bn bond order against the bank in connection with the same charges. Santander said yesterday it would deposit the bond but would appeal against the new ruling.

In January, the court accepted Santander's appeal that the bank could not be investigated over possible irregularities unless prior charges were brought against persons who had sought to avoid taxes by using the bank's services.

Dobson Park sells tool business

By Peggy Hollinger in London

DOBSON Park Industries, the UK mining equipment and industrial group, is withdrawing from the highly-competitive power tool industry with the sale for £7.8m ($12m) of its lossmaking demolition hammer operation, Kango.

Atlas Copco, the Swedish tools manufacturer, is to buy the Kango name and business, while High Speed Production, a private UK company, has agreed to purchase the division's machining and assembly operations. High Speed will then manufacture Kango products for Atlas.

Mr Alan Kaye, Dobson's chairman, said the group had decided it could not compete against international giants such as Bosch of Germany.

"The scale of the people we were trying to compete with makes it difficult to keep up with the technology," he said. "Kango's potential will best be realised as part of a larger group within the power tools business."

Kango, which just four years ago returned pre-interest profits of £2.5m, has suffered from the sharp downturn in the global construction industry. Last year, it incurred losses of £600,000.

Dobson has been under pressure in other areas of its business and recently agreed to put its mining equipment division into a joint venture with a main rival to weather the UK coal crisis.

For Atlas Copco, Europe's largest air compressor manufacturer, Kango represents another step towards its goal of increasing its presence in electric tools. Last year, Atlas purchased AEG Elektrowerkzeuge, a German manufacturer of electric hand-held tools. Kango claims between 25 and 30 per cent of the UK light demolition hammer market.

Dobson will receive £6.5m in cash upon completion, with the remaining £1.3m payable within one year.

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GTE sells telecoms lines to utilities group for $1bn

By Nikki Tait in New York

GTE, the largest local US telephone company, yesterday announced plans to sell approximately 500,000 access lines in a total of nine states, to Citizens Utilities, a diversified utilities group based in Connecticut, for $1.1bn in cash.

The deal is part of GTE's previously-announced strategy of trading or selling domestic local-exchange properties. Last December, the telephone company said that, "as a logical step following the merger with Contel", it planned to discard a small percentage of these properties, allowing it to concentrate on core markets.

At that stage, GTE said it planned to sell less than 5 per cent of its domestic access-line base, which then comprised more than 16m lines.

The deal announced yesterday involves all of GTE's local-exchange properties in Arizona, Montana, New York, Tennessee, Utah and West Virginia. It also includes a portion of GTE's interests in California (less than 1 per cent of the access lines there), Idaho (about 14 per cent) and Oregon (less than 2 per cent). It is subject to various regulatory approvals, and the transaction is unlikely to be fully completed until 1994.

GTE shares dipped $¼ to $34⅝ before the close yesterday, while Citizens Utilities "B" shares were down by $⅛ at $35⅞.

Citizens, which like GTE is based in Stamford, supplies electric, gas, water, and telecommunications services to customers in 13 states. Telecoms have accounted for about one-third of the group's revenues to date, and the utility currently operates all-digital local-exchange carriers in Arizona, California and Pennsylvania.

"Two-and-a-half years ago, we told Citizens' shareholders that we planned to double the size of the company by 1996," said Mr Leonard Tow, Citizens' chairman. "This transaction goes a long way to meeting that goal."

Mitel posts best profit for quarter in 11 years

By Bernard Simon in Toronto

MITEL, the Canadian telephone equipment maker, has posted its best quarterly profit in 11 years. The result raises a question mark over the timing of British Telecom's sale last June of its controlling stake in the Ottawa-based company.

Mitel's improved performance is also reflected in a surging share price. Its stock was trading at C$3.40 on the Toronto exchange before the close yesterday, more than double the maximum of C$1.64 per share which BT realised from the sale of its 51 per cent stake.

Net earnings for the fiscal year to March 26 were C$2.6m (US$2.06m), equal to a loss of 1 cent per common share, compared with a loss of C$5.7m, or 12 cents, the previous year. Sales rose by 4 per cent to C$423.4m.

Fourth-quarter earnings, however, were C$11.9m. The improvement was partly due to favourable exchange rate movements and a C$3.5m research grant from the Canadian government.

Mr John Millard, president, cautioned that the fourth-quarter performance was unlikely to be repeated in the first half of this year.

However, the company said that US sales of office switchboards had picked up, and that its semi-conductor revenues had also risen sharply.

A recent C$52m share issue has strengthened its balance sheet, leaving it with long-term debt of only C$26m.

BT suffered a loss of at least C$256m on its seven-year investment in Mitel.

Chemical wins debt trade approval

By Patrick Harverson in New York

CHEMICAL Banking has received permission from the Federal Reserve to underwrite and sell corporate bonds through its securities arm.

It is the fifth leading US commercial bank to be granted debt underwriting powers, after J.P. Morgan, Citicorp, Bankers Trust and Chase Manhattan. Several big foreign banks have also been allowed into the business, including Union Bank of Switzerland and Industrial Bank of Japan.

Traditionally, the commercial banking and securities businesses have been kept apart in the US. In recent years, however, the Fed has exploited loopholes in the Glass Steagal Act, the depression-era legislation that enshrined the separateness of banking and securities business, to allow a few well-capitalised banks to operate in the corporate debt markets.

However, the banks are not allowed to derive more than 10 per cent of gross revenues from underwriting and dealing in certain corporate debt securities for two years.

Chemical hopes to build a presence in the corporate debt market to go alongside its dominant presence in the bank loan market. It has already arranged $33bn of loans this year, making it by far the biggest lender among US banks.

Initially, the bank, through its Chemical Securities subsidiary, will concentrate on selling high-yield debt, where the underwriting fees are higher than on investment-grade debt. Because of its dominant share of the bank loan market, Chemical believes it has a large client base among likely issuers of junk bonds.

The Fed's decision was not unexpected. After last year's merger with Manufacturers Hanover, Chemical became the third-largest US bank, with consolidated assets of $147.5bn, and has one of the strongest capital bases in the industry.

Although Chemical had begun to hire staff with experience in the debt markets in anticipation of Fed approval, the bank is expected to hire some traders and bankers who specialise in junk bonds. The main task facing the bank is to assemble a sales force to distribute the corporate bonds it underwrites to institutional investors.

Campbell advances to $108.5m

By Nikki Tait

CAMPBELL SOUP, the US food group, yesterday reported a rise in after-tax profits to $108.5m in the third quarter to May 2, from $91.5m a year earlier.

Sales during the three months rose by 6 per cent, to $1.63bn, mostly due to the first-time consolidation of Campbell's ownership interest in Arnotts, the Australian biscuit company in which the US group has a 58 per cent stake.

At the earnings per share level, the profits advance translated into a 19 per cent rise, to 48 cents.

On a divisional basis, Campbell said operating profits in its North and South American divisions rose by 10 per cent, to $172.6m. In Europe and Asia, there was a 14 per cent advance, to $9m.

In the biscuit and bakery division, the inclusion of the Arnotts' results lifted profits by 47 per cent to $23.9m – but Campbell said that, without Arnotts', there would have been a 6 per cent decline due to certain start-up and new product costs.

Campbell increased its stake in Arnotts to 58 per cent earlier this year after a bitterly-contested takeover battle, although it still lacks board control.

The third-quarter figures bring after-tax profits for the first nine months to $149.2m, compared with $381.3m a year earlier, or 59 cents a share compared with $1.51.

However, the current-year figures are struck after significant restructuring charges taken in the second quarter; Campbell said that without these items, net earnings for the first nine months were up by 18 per cent.

Campbell announced in the second quarter that it was closing two domestic frozen food plants and selling a number of unspecified businesses. These moves resulted in the $300m after-tax charge.

Parker & Parsley sues bid rival

By Patrick Harverson

PARKER & Parsley, the US energy group which last week agreed to pay $448m for Prudential Securities' troubled energy investment partnerships, is suing Louis Dreyfus Natural Gas, a rival US energy company which has submitted a higher bid for the partnerships, for attempting to interfere in the transaction.

Graham Royalty, which was a general partner in the loss-making partnerships with Prudential, is also named as a defendant in the lawsuit.

Parker claims Dreyfus "maliciously interfered" with the merger agreement between Parker and Prudential and that Graham Royalty breached the merger agreement and committed conspiracy and fraud by negotiating with Dreyfus.

On Monday, Prudential agreed to sell its partnerships to Parker for $448m but a few days later, under pressure from investors in the partnerships, it was forced to reveal that a counter-offer worth $510m had already been made by Dreyfus.

At the time, Prudential said it did not accept the higher offer because there was not enough information in the bid. Prudential has since said it would consider the bid once Dreyfus had provided a full financing commitment for its offer, which Dreyfus said it would provide in the next week.

The affair is being watched closely by investors in the Prudential energy partnerships. After the partnerships racked up big losses in the late 1980s, the investors sued Prudential for allegedly misleading them over the risks involved in buying into the partnerships.

Power Corp studies US investments

By Robert Gibbens in Montreal

POWER Corp of Canada, with nearly C$1bn (US$700m) of cash and short-term investments, is considering several new projects in the US, says Mr Paul Desmarais, chairman.

In all, Power Corp and Pargesa, the jointly-owned European holding company, have cash resources totalling C$2.5bn and very low debt, Mr Desmarais said.

"We're making satisfactory progress reinvesting these liquid resources, and areas of interest also take in Europe, Asia and Latin America."

Power Corp plans a joint-venture industrial park in China and later may enter the life insurance business there.

Its first-quarter net profit fell to C$29.6m, or 23 cents a share, from C$39.2m, or 30 cents, a year earlier. The decline was mainly due to reduced special gains on Pargesa asset sales.

Speculation over Upjohn succession

By Karen Zagor in New York

UPJOHN, the US pharmaceuticals group, has announced a series of organisational changes which provoked speculation about who would take charge of the company following the recent death of its chairman and chief executive, Mr Theodore Cooper.

The company made a number of senior appointments, but did not name a chief executive or chairman.

Mr Ley Smith, president and chief operating officer, presided over Upjohn's annual shareholders meeting.

Mr Smith was named acting chief executive in April. He will continue in that office until the board appoints a successor to Mr Cooper.

Mr Smith said Upjohn would strive to have 1994 earnings at the same level as in 1993, but did not expect real earnings and sales growth before 1995 when "the first real revenue impact from our new breakthrough products should begin to occur."

Horrigan joins Liggett Group

By Nikki Tait

MR EDWARD Horrigan, who headed the large tobacco business at RJR Nabisco and was vice-chairman of the parent company ahead of the $25bn leveraged buy-out of the company in 1989, is re-entering the cigarette business.

The Liggett Group, now the smallest of the leading US cigarette manufacturers, whose brands include Chesterfield, Lark and Eve, announced yesterday that Mr Horrigan had been appointed chairman and chief executive, with effect from May 24.

Mr Horrigan – whose board positions include a directorship at USAir – quit RJR shortly after the Kolhberg, Kravis Roberts-led leveraged bid won control of RJR Nabisco.

According to *Barbarian at the Gate*, the best-selling book on the bid tussle, Mr Horrigan demanded to either be chief executive of the company, or part company. He reportedly left with a $45.7m golden handshake, and acquired a candy business in Atlanta.

Liggett, part of Brooke Group, has faced troubled times recently, with declining profits and falling market share. It announced the departure of its chief executive and chief financial officer in January.

At that stage, the company created an interim three-person "office of the chief executive". The team included Mr Bennett LeBow, chairman of Brooke.

Most recently, Liggett has stirred the already troubled waters of the US cigarette market by introducing a new discount brand, Eagle, which is stylishly-packaged and undercuts rival products on price.

The introduction of Eagle came after Philip Morris, the largest US cigarette company, announced large price cuts in its full-priced brands, and both Philip Morris and RJR attempted to edge up prices of their discount brands, narrowing the price differential between the two segments of the market.

ITT Financial to raise $3bn

ITT Financial, the financial services arm of the US conglomerate ITT Corp, unveiled plans yesterday to raise up to $3bn through a debt offering, writes Patrick Harverson.

In a shelf filing with the Securities and Exchange Commission, the company said it would use the proceeds from the issue of debt securities and warrants to purchase debt securities for general corporate purposes, including repaying existing debt and funding investments.

Golden opportunities go begging

Minorco's plans for expansion are thwarted, writes Kenneth Gooding

MR Hank Slack does not try to hide his disappointment. As chief executive of Minorco, he was ready to spend about $1bn cash on two acquisitions aimed at turning his businesses into one of the world's biggest mining groups.

But both tantalising prospects slipped from Minorco's grasp.

Mr Slack's goal was to transform Minorco, until 1988 a sleepy offshore investment arm of the Anglo American Corporation-De Beers group of South Africa, by reorganising its portfolio, shaking-up or turfing out existing operations and buying new ones.

Many analysts suggest, however, that until recently the process has been painfully slow and not particularly impressive. Minorco's market rating said it all: its share price has languished at a 30 to 40 per cent discount to asset values.

The two big opportunities would certainly have changed market perceptions. Minorco was offered the chance to join the world-class copper producers when British Petroleum agreed to sell it 49 per cent of the Olympic Dam mine in South Australia for $240m, plus $190m to repay loans.

But Western Mining, the Australian group which had the majority stake in Olympic Dam, had pre-emptive rights to the BP stake. It kept Minorco in suspense for four months before deciding to exercise those rights.

All might not be lost, however. Mr Hugh Morgan, managing director of Western, has invited the Minorco chief to bring a team to look over Olympic Dam.

Although Mr Slack says he does not know what Mr Morgan has in mind, analysts jump to the obvious conclusion: that Western might offer Minorco some of the action at Olympic Dam.

Minorco's other disappointment was never made public. The group hoped to buy Gold Fields Mining Corporation, which has two gold mines – Chimney Creek in Nevada and Mesquite in California – from Hanson, the Anglo-American conglomerate.

GFMC would have been merged with Minorco's Independence Mining subsidiary, which also operates in Nevada, to become one of North America's top 10 gold producers.

Hanson opted instead for an asset swap, handing over GFMC to Santa Fe Pacific in exchange for the US group's coal and aggregate operations. Each set of assets were estimated to be worth about $500m.

Mr Slack says Minorco is still looking for more gold opportunities, but that "the prices being asked are still very fancy".

Most analysts suggest Minorco paid a "fancy" price indeed for Independence Mining, which it bought for $705m from Freeport McMoRan of the US in 1990. There was, however, an important reason.

Minorco started down its new strategic road in 1988 by making a $3.5bn hostile bid for Consolidated Gold Fields of the UK. Minorco owned 29.9 per cent of Gold Fields and acceptances took its holding to more than 50 per cent.

However, a New York judge blocked the takeover, citing Minorco's South African ownership and Anglo's liking for cartels. Minorco gave up the Gold Fields battle, leaving the way clear for Hanson.

Minorco collected $1.6bn cash for its Gold Fields shares.

Hank Slack: 'prices being asked still very fancy'

However, because of the New York ruling, it apparently had no way of spending it in the US.

This proved not to be the case when Minorco was given the go-ahead to buy Independence.

Mr Slack admits Independence's financial performance has been disappointing, but cost-cutting is under way. This includes dismantling the Independence board and the consequent streamlining of Minorco's cumbersome US management structure.

There has also been a wider management shake-up at Minorco, which effectively had three managing directors: the original "Young Turks" who persuaded Anglo that Minorco should change its style and mount the offensive against Gold Fields. Now Mr Tony Lea is being recalled to Anglo's headquarters in Johannesburg and Mr Roger Phillimore resigned because he lost the contest for the chief executive's job.

These changes, however, have not diminished Minorco's appetite for acquisitions. In the past seven months it has spent about $337m on four deals: jointly with Anglo it paid $190m for one-third of the Collahuasi copper project in Chile; on its own account it paid $66m for a half-share in the Lisheen zinc deposit in Ireland; it paid £55m ($84.7m) to buy Steetley Iberia from Redland, and $90.6m to swap an indirect interest in Johnson Matthey, the UK platinum marketing group, for a 10 per cent direct stake.

Steetley, which operates 14 quarries and gravel pits as well as 21 ready-mixed concrete plants in Spain, is being absorbed into Minorco's industrial minerals division, built up in the past two years entirely by $340m-worth of acquisitions.

Minorco bought the Johnson Matthey shareholding from Charter Consolidated, the UK industrial group over which Minorco – and therefore Anglo – has considerable influence via a 36 per cent shareholding.

Minorco's (and Anglo's) main interest was always Johnson Matthey. Now that Minorco has a direct shareholding in JM, it has no reason to retain the Charter stake.

Some analysts expect Charter to buy its own shares back from Minorco and thus break free from the Anglo-Minorco influence. Mr Slack says it is up to Mr Jeff Herbert, Charter's managing director, to make the running.

Minorco will sell Terra, a non-core US subsidiary which produces and distributes agricultural products, but not while today's depressed market persists.

Terra, along with the Hudson Bay Mining and Smelting company in Canada, was part of the inaptly-named Inspiration Resources, and already in Minorco's pre-1988 portfolio. The Hudbay copper-zinc-nickel business is not world-class and Minorco is having trouble getting it into shape.

Minorco now has direct interests in two of the world's three big platinum marketing companies. Apart from 10 per cent of Johnson Matthey it owns 30 per cent of Engelhard in the US. Mr Slack says an important aspect of the deal with Charter is that Minorco now has more flexibility if at any time it wanted to increase its interest in either of these groups.

He says Anglo-De Beers still wants to reduce its combined 60 per cent holding in Minorco to more like 50 per cent in the longer term. But not while Minorco's shares are at such a substantial discount to its assets.

INTERNATIONAL COMPANY NEWS

Woolworths aims for A$2.45bn

By Bruce Jacques in Sydney

WOOLWORTHS, the Australian retailing group, will go public next month in the country's biggest corporate flotation, seeking up to A$2.45bn (US$1.69bn)without an underwriter.

The chairman of Woolworths, Mr Paul Simons, launched the long-awaited flotation yesterday, with forecasts of continued strong earnings and sales growth, against the national retailing trend.

Mr Simons ended months of speculation, revealing that the flotation would offer 1bn shares at a price between A$2.15 and A$2.45, to be determined by an institutional tendering process.

The flotation will be in four parts, with the biggest proportion of nearly 49 per cent offered on a non-renounceable basis to shareholders in Woolworths' parent companies, Adelaide Steamship, David Jones, and Tooth and Co. These companies were all formerly part of the corporate empire run by Mr John Spalvins.

A further 30 per cent of the shares will be offered to institutional investors, 1 per cent will be reserved for staff, and the rest will go to individuals.

Shares not taken up in either the entitlement or employee offers will be available to institutions or the public. Mr Simons said the public offer would begin on June 9 and remain open for one month.

Paul Jones: forecasts continued strong growth against the national trend

Trading in Woolworths shares is expected to begin on July 12 on a deferred delivery basis, representing the first time the Australian Stock Exchange has allowed trading to begin before scrip delivery.

Despite strong publicity surrounding the flotation, some observers were surprised at the lack of both an underwriter and rights trading, especially as the vendors were forced to delay the flotation in 1992 after share markets weakened.

The prospectus states that if applications, bids and indications of interest are not received for all of the shares offered, "the vendor has resolved that the sale of shares will not proceed".

Mr Simons said yesterday that the board predicted a 14 per cent advance in Woolworths' earnings before interest and tax to A$278.9m for the current year and a further 11 per cent rise to A$310.2m for next year.

After-tax earnings were forecast at A$166.3m in the current year, rising to A$188.5m next year, representing a prospective price-earnings multiple of just over 13 at the highest possible flotation price of A$2.45 a share.

The prospectus forecasts a final dividend of 6 cents a share this year and an annual dividend of 12 cents a share next year, representing a yield of just under 5 per cent at the maximum flotation price.

A forecast pro-forma balance sheet estimates core debt of the floated entity at A$258m, rising to A$333m by mid-1994. Bank credit facilities totalling A$420m have been arranged.

Yamaha plunges 58.7% to Y2.8bn

By Robert Thomson in Tokyo

YAMAHA, the world's largest maker of musical instruments, yesterday reported a 58.7 per cent plunge to Y2.8bn ($25m) in pre-tax profits, prompting the victors in a recent boardroom coup to intensify a restructuring programme.

Sales during the year ending in March fell 14 per cent to Y330bn. However, the company estimated that the fall was only 3.9 per cent if the transfer of its housing equipment division to a subsidiary was taken into account.

However, sales of most mainstream products, including pianos, electronic instruments, and sports equipment, were lower, and the company said the fall in interest rates during the period reduced financial income.

Three generations of family rule at Yamaha ended in March when Mr Hiroshi Kawakami, the grandson of the founder, was removed from the board after the company's union demanded that executives took responsibility for deteriorating profits.

Profits have slipped for three successive years, and the company is expecting the fall to continue this year, forecasting a pre-tax profit of Y2.5bn, down 10 per cent, on sales of Y336bn, a slim 1.6 per cent higher.

The company's labour union may have played an important role in ending the reign of the Kawakami family, but one of the new leadership's most pressing tasks is to cut the workforce.

● Aiwa, the audio equipment maker, reported a 33 per cent fall in pre-tax profit to Y2.9bn, in spite of an 11 per cent increase in operating profit, with the difference due to exchange rate losses and reduced financial income.

Many Japanese companies are reporting far higher falls in pre-tax profits than in operating profits, reflecting the past reliance on income from financial engineering, which has become more difficult in the face of falling interest rates and collapsing stock prices.

Sales at Aiwa rose 6.8 per cent to Y161.6bn, including a 3.5 per cent increase in audio equipment sales and a 25 per cent rise in sales of video equipment, which accounted for about 17 per cent of total sales.

Domestic sales fell by almost 5 per cent, but exports were 10 per cent higher, due to strong demand from east Asian countries.

For the current year, Aiwa forecast a pre-tax profit almost unchanged at Y3bn on sales of Y170bn, a 5 per cent increase on last year.

Troubled Honda seeks a mass market formula

Michiyo Nakamoto reports on moves to escape a niche

WHEN officials of Honda assemble today at the company's headquarters in Tokyo's fashionable Aoyama district to unveil a new passenger car, they will be investing more hope than usual in their latest offering to help reverse the company's sagging fortunes.

Honda has just announced a 32 per cent decline in pre-tax profits and a 61 per cent fall in net income for the year to March, and warned that trading in the current year was likely to be at least as bad.

The Japanese motor manufacturer, which began production at a new factory in the UK last autumn, expects demand to remain weak in its main markets and the yen's sharp appreciation to result in a 40 per cent decline in consolidated net income this year.

Honda officials do not see light at the end of the tunnel yet, and are battening down for a tumultuous year ahead.

Capital investment is being kept at about half the level of its 1990 peak, profit-related bonuses for board members are being cut by 10 per cent, and recruitment of graduates will be nearly halved next April.

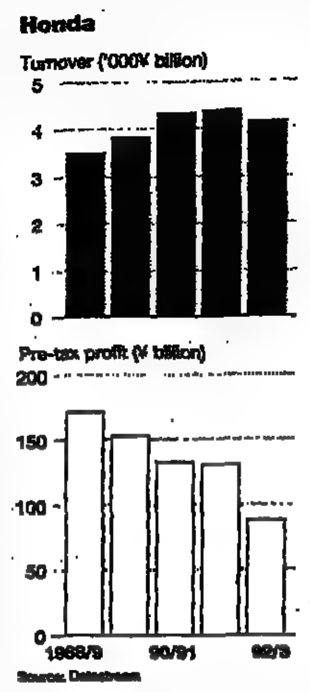
These steps come in addition to a restructuring programme introduced three years ago which has already streamlined operations and cut costs significantly. But these defensive measures, while effective in getting the company into better shape to meet the challenges of a severely depressed and increasingly competitive motor industry, have failed to solve Honda's overriding problem - its inability to make sufficient profits on cars.

Operating income from car production last year declined by 82 per cent to Y49.2bn ($443m) and the outlook for improvement does not look promising. Income from cars is now only slightly more than that from motorcycles.

Honda, once a symbol of Japanese innovation and a company that built America's most popular car for the three years until the last, increasingly seems to have everything going against it.

In the US, where it has had spectacular success with its mass-market Accord, the prospects remain uncertain for all car manufacturers and for Honda in particular.

It has been losing market share in the US where it estimates its slice has fallen from 9.8 per cent in 1991 to 9.3 per cent last year and 7.5 per cent in the first four months of 1993.



Competition from a revitalised and much stronger "big three", as well as from its Japanese competitors, has intensified. Last year, Honda's Accord lost the title of best-selling car to Ford's Taurus.

The Accord, its main profit-earner, is due for a model change later this year and, like any car coming to the end of its model cycle, has been selling less well than in the past.

At the same time, the company, which is 67 per cent dependent on exports for revenues, is being battered by the sharp appreciation of the yen.

The yen's rise in the year to March shaved Y70bn off its revenues. While unit sales of cars in North America declined nearly 17 per cent, in value terms they were 47 per cent down at Y1,542bn, after falling 52 per cent in 1991-92.

In the domestic market, where car sales fell nearly 8 per cent, Honda faces the same problem with its Accord, which saw sales fall by about 29 per cent last year.

Honda's problems lie largely from its dependence on the US market and a narrow product range that stems from its origins as a niche market manufacturer.

These qualities served it well when demand in the US market was firm and the huge popularity of the Accord made up for its relative lack of other offerings with mass appeal.

But they have been a big stumbling block as changes in the US market, the high yen and increased competition have eroded what advantages it had as a focused company with a head-start over other Japanese manufacturers.

Honda is hoping that the launch of new models, such as the mid-range Integra which is being unveiled today, and a new Accord later this year, will help stimulate demand.

It believes it has a formula for success in cost-cutting measures which have helped it to add value to products without adding to the price.

Honda is also confident the restructuring will begin to show results ahead of others in the industry. The motorcycle division, for example, has doubled operating income to Y45.3bn since it was made a separate business division.

But that cannot make up for the fall in car revenues as the unit price of motorcycles is so much smaller, says Mr Koji Endo, an analyst at SG Warburg. "Honda is not a full-line maker, but neither is it a niche manufacturer any longer," Mr Endo says. Its current size means that "it probably can't go back to being a niche player".

If so, Honda's chances of making a comeback depend largely on whether it can hold its own against its big rivals.

That, Mr Endo believes, depends to a large degree on whether the new Accord, its most popular mass market car and main profit earner, can attract enough demand after it is launched this autumn to offset what is expected to be a very slow period until then.

Product recalls hit Matsushita offshoot

By Robert Thomson

MATSUSHITA Refrigeration, the home refrigerator subsidiary of the Matsushita group, yesterday reported a net loss of Y28.9bn ($259m), after having been forced to book extraordinary losses for the recall of defective products.

The loss, coming after a profit of Y4bn in the previous year, was the first since its listing in 1955, and was cited as one of the causes for the recent boardroom reshuffle in the parent company.

Sales for the year slipped 13 per cent to Y176bn, as domestic demand for refrigerators and other consumer goods was unusually weak.

But the most important reason for the red ink in the year ended in March was a special charge of Y31.4bn linked to the recall of about 420,000 refrigerators with flawed compressors. As a result, executive bonuses are to be cut by 30 per cent this year.

The company, which also makes vending machines and air conditioners, managed a pre-tax profit of Y145m, but there was an operating loss Y4.6bn.

For the current year, the company expects a pre-tax profit of Y3.5bn on a 5 per cent increase in sales to Y167bn.

● Makita, the leading Japanese maker of electric tools, said pre-tax profit fell 6 per cent to Y12.6bn in the year ended in March, while sales fell 4.5 per cent, the first fall in 30 years.

The company blamed the appreciation of the yen and the slowing of the domestic economy for the downturn in sales, which totalled Y123bn, while it has also been troubled by a US anti-dumping action on Japanese hand tools.

Makita is particularly vulnerable to currency fluctuations as it exports about 65 per cent of its output, though the company has been expanding its production bases in the US and Brazil.

Demand is strongest from the rapid growth countries of south-east Asia, but the company expects that sales this year will fall 12 per cent to Y108bn, while pre-tax profit is forecast to fall 35 per cent to Y8.2bn.

Consolidated sales were 0.8 per cent higher at Y178.9bn, and pre-tax profit was down 5.7 per cent at Y20.2bn. It expects a fall of 5 per cent in sales and about 26 per cent in profit this year for the group.

Japanese textile groups under pressure

By Robert Thomson

KURABO Industries, a leading Japanese textile company, reported an 87.5 per cent fall in pre-tax profit to Y230m for the year to March, reflecting the harsh times facing the industry, which is under assault from imports from China and other Asian countries. Sales fell 9.6 per cent to Y130.5bn.

The company is hoping profits will increase to Y500m this year butadmits that sales will be flat. A rationalisation programme will continue in an attempt to increase profits.

The company is attempting to diversify into areas such as information systems and chemicals, but the slowing of the Japanese economy has put these businesses under extreme presure.

Meanwhile Shikibo, a cotton spinner, reported a pre-tax loss of Y4.4bn, less than the previous period's loss of Y5.4bn, but another sign of the distress in the industry, which is pressing the government to impose controls on imports.

Six members of the Shikibo board have resigned and new heads appointed for its property, textile, industrial material, and business development divisions. The board was cut from 14 to 10 members.

Sales were down 11.8 per cent to Y68.4bn, and are forecast to fall further to Y64bn this year. A pre-tax loss of Y3bn is expected.

INTERNATIONAL CAPITAL MARKETS

Gilts perform strongly after a stream of good news

By Jane Fuller in London and Patrick Harverson in New York

A CONFLUENCE of good news drove up the UK government bond market, with gilts in the next auction area performing particularly strongly.

The welcome given to Tuesday's Bank of England announcement on the £3bn auction carried over into yesterday morning's trade. Then weak retail sales figures for April, a monthly PSBR total at the low end of expectations and the strengthening pound all fuelled further advances.

GOVERNMENT BONDS

More good news is expected in the labour market data – a resumed rise in unemployment is forecast plus positive figures for labour costs – and in tomorrow's release of the retail prices index.

The consensus forecasts on the RPI are for an historically low "headline" rate of 1.5 per cent and just over 3 per cent for underlying annual growth.

This chimes with sanguine comments on inflation in the Bank of England's quarterly survey.

Gilts responded with a half-point rise at the longer end, notably the 8½ per cent due 2007.

The "when issued" price of the auction stock – 7¾ per cent due 2006 – gained just over ¾ of a point to close at 30¾ partly paid (95⅛ all in).

■ BY CONTRAST, it was a bad day for the German government bond market.

The Yes vote in the Danish referendum set the background for further weakening of Germany's safe-haven image and continued outflows of cash to the high yielders.

However, the body blow to bunds came with the April M3 money supply figures, which leapt 7.3 per cent – well beyond expectations and the Bundesbank's 6.5 per cent target ceiling.

After this shock, a little comfort was drawn from the central bank's decision not to lower either of its key interest rates.

This was seen as giving some support for the sagging D-Mark.

Another problem was the string of recent issues in the 10-year area.

The latest, this week's ERP, was reported to be difficult to sell. One economist commented that investors were waiting for the yield on 10-year stock to rise to 7 per cent.

■ NOT surprisingly, one of the main beneficiaries of bund weakness was Denmark, where there was also a 1 point cut in the discount and repo rates to 8.25 per cent and 8.75 per cent respectively.

The uplift in government bonds saw the yield spread of Danish 10-year bonds over bunds fall to 61 basis points. It has come down from 85 basis points little more than a fortnight ago.

The Italian market made further gains, still buoyed by news of rapid withholding tax rebates and budget deficit cuts.

With the yield spread over bunds still higher than at the time of the Danish No vote last June, further gains were seen as a possibility.

■ US TREASURY prices were little changed in light trading yesterday morning as inflation fears continued to hold buyers in check.

By midday, the benchmark 30-year government bond was down $\frac{5}{32}$ at 101, yielding 7.041 per cent. At the short end of the market, the two-year note was unchanged at 99$\frac{11}{16}$, to yield 4.026 per cent.

After two days of yield curve-steepening, with yields holding steady at the short end but rising significantly at the long end, the market settled down yesterday.

Prices at the long end eased slightly in the opening hours, primarily in reaction to an unexpected jump in imports revealed in the March merchandise trade report.

The rise in imports raised fears that domestic demand might be surging, although analysts later attributed much of the rise to stronger demand for petroleum products.

■ AFTER Tuesday's torrid selling of Japanese government bonds, the market had a much calmer day.

However, buyers continued to sit on their hands in Tokyo trading, leaving the September futures contract to weaken to 106.08 from 106.24 and giving little support to the No 145 10-year cash benchmark, which closed at 4.665 per cent.

In London trading there was some recovery as the yen strengthened against the dollar.

On a positive note, the Bank of Japan relieved shortages in the money market, which along with a decline in overnight money rates scotched talk of interest rate rises.

FT FIXED INTEREST INDICES

	May 19	May 18	May 17	May 14	May 13	Year ago	High *	Low *
Govt Secs (UK)	94.90	94.56	94.63	94.71	94.85	89.21	98.04	93.28
Fixed Interest	111.07	110.93	110.87	110.92	110.99	104.74	113.63	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 18	May 17	May 14	May 13	May 12
Gilt Edged Bargains	125.0	98.3	92.4	88.6	98.4
5-Day average	100.2	97.3	97.5	101.3	99.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.3102	+0.303	7.60	7.48	7.45
BELGIUM		9.000	03/03	110.8000	+0.050	7.41	7.43	7.80
CANADA *		7.250	06/03	96.6500	-0.050	7.74	7.80	7.31
DENMARK		8.000	05/03	103.6500	+0.375	7.47	7.58	7.68
FRANCE	BTAN	8.000	05/98	105.7005	-0.140	6.61	6.65	6.84
	OAT	8.500	04/03	109.3100	-0.320	7.15	7.15	7.07
GERMANY		6.75	04/03	99.2650	-0.255	6.85	6.71	6.54
ITALY		11.500	03/03	97.6850	+0.355	12.26†	12.54	13.11
JAPAN	No 119	4.800	06/99	100.6076	-0.269	4.63	4.39	4.20
	No 145	5.500	03/02	105.4234	+0.230	4.64	4.55	4.26
NETHERLANDS		7.000	02/03	102.2500	-0.220	6.67	6.58	6.50
SPAIN		10.300	06/02	98.0413	+0.702	11.00	11.71	11.44
UK GILTS		7.250	03/98	100-18	+6/32	7.11	7.10	7.00
		8.000	06/03	99-19	+13/32	8.06	8.07	7.83
		9.000	10/08	104-21	+21/32	8.45	8.47	8.27
US TREASURY *		6.250	02/03	99-11	-28/32	6.34	5.93	5.88
		7.125	02/23	100-31	-24/32	7.04	6.86	6.76
ECU (French Govt)		8.000	04/03	103.5000	-0.200	7.48	7.63	7.54

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bank opts for a conciliatory tone on derivatives

By Tracy Corrigan

THE Bank of England's internal report on derivatives, published yesterday, adopted a broadly conciliatory tone towards the derivatives industry, in contrast to the forcefully expressed concerns of some other regulators.

The internal working group was chaired by Mr Richard Farrant, a deputy head of banking supervision, and included a representative of the Securities and Futures Authority (SFA).

The report recommended that at least two members of the board (including the finance director) of any institution should be sufficiently knowledgeable to ensure that the business was controlled effectively.

This policy would be adopted by the Bank, an official said. Concern about the lack of understanding of derivatives at board level echoed the Promisel report by the Bank for International Settlements, published in October 1992, which prompted the Bank of England to set up the internal working group.

The Bank of England report recommended further research on the relative price volatility and liquidity of cash and derivatives markets, exploring the links between financial markets, and the level of systemic risk.

The Bank, the SFA and the Securities and Investment Board are discussing ways of pursuing this research.

The Bank pointed to a need for more data on derivatives markets, and is considering establishing a survey of the derivatives markets comparable to that already conducted for forex activity.

On the issue of market risk, the Bank warned that the limitations of models needed to be understood by supervisors.

Another area of concern was that some large unregulated institutions operated in the derivatives market, as a result of regulatory gaps.

Meanwhile, a wide-ranging study of the risks associated with derivative products is expected to be released in the next month or so by the Group of Thirty, the Washington-based think-tank. Sir Dennis Weatherstone, chairman of JP Morgan, is heading the G30 study group.

Denmark three-year issue struggles in spite of Yes vote

By Tracy Corrigan

DENMARK'S hopes of catching a wave of enthusiasm following Tuesday's Yes vote on the Maastricht treaty were dashed, due to the widespread perception that the Kingdom's Ecu250m three-year issue was priced too tightly.

INTERNATIONAL BONDS

The deal, arranged by Morgan Stanley, offered a yield of seven or eight basis points below the yield of the UK's three-year Ecu notes.

Given that the UK is a AAA credit, while Denmark's debt is a notch lower at AA1/AA+, the issue was considered over-aggressive, even though the target audience of European retail investors often focus on coupon rather than yield spread.

However, Morgan Stanley pointed out that the UK notes were trading at a premium of several points to their par value, which for three-year paper represented several basis points in yield.

However, the pricing was not the only problem: the Ecu bond market, instead of rallying on the news of the referendum result, appeared to have fully discounted the event, and was hit by a brief spell of profit-taking.

A number of banks turned down invitations to underwrite the issue. They described the deal as "far too tight" and "the last thing the market needed".

However, Mr Michael Dee, head of debt syndicate at Morgan Stanley, defended the decision to launch the issue.

"The Ecu market continues to be technically in good shape, and we are confident in doing a deal that others consider aggressive," he said.

He added that he expected the deal to be placed with continental European retail investors.

Denmark is using the proceeds of the offering to refinance an existing Ecu250m issue of 7⅝ per cent bonds due 1996, which are now callable.

In the sterling convertible bond market, Allied Lyons' $200m issue of subordinated convertible bonds met reasonable demand from continental European investors, who have been the mainstay of the recent increase of activity in the market.

The conversion price, set at 622p, 17.8 per cent above the current share price, was in line with other recent offerings.

However, dealers said that the wave of supply in the sector had eroded some of the initial enthusiasm, which had been fuelled by positive sentiment on sterling, as well as the outlook for UK equities.

In the asset-backed sector, a further £108m of bonds backed by vehicle hire purchase receivables of Chartered Trust was issued by CARS 2, a special purpose vehicle.

● ABN AMRO Holding is planning to issue its first deal in the Yankee bond market, a $250m, 30-year subordinated issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Republic of Venezuela(a)	100	10.25	102	May.1996	2.0	-	Commerzbank
FRENCH FRANCS							
CCF, Luxembourg‡	500	(b)	99.9R	Jun.1996	0.35R	-	CCF
STERLING							
Allied-Lyons Fin.Services(c)§	200	6.75#	100R	Jul.2008	2.5R	-	CSFB
CARS No.2(d)‡	100	(d)	100R	Dec.1997	0.25R	-	Goldman Sachs Intl.
CANADIAN DOLLARS							
GECC(e)	100	7.25	98.975R	Nov.1996	0.275R	+30 (6½%-98)	Wood Gundy
ECUS							
Kingdom of Denmark	250	6.75	100.056R	Jun.1996	0.1875R	-	Morgan Stanley Intl.
ITALIAN LIRA							
Helaba	500bn	zero	37.84	Jun.2003	1.25	-	IMI Bank Luxembourg
ESCUDOS							
European Investment Bank	10bn	12	101.7	Jun.1996	1.875	-	BPI

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible with the DM150m launched on 1/4/93. Plus 34 days accrued interest. b) Coupon pays 8.25% fixed annual in the first year and 18.75% - 2 x 6-month Pibor thereafter. c) Conversion price: £6.22. Callable at par from 21/7/98 or earlier if 85% of bonds are converted. d) Fungible with the outstanding £185m launched in Nov.1992. Average life years: 3.42 years. Coupon pays 3-month Libor + 0.45%. e) Issue launched on 29/4/93 was increased to C$250m.

Russian Treasury bill to ease budget deficit

By Leyla Boulton in Moscow

THE Russian authorities yesterday hailed their first Treasury bill issue as a first step to helping finance the budget deficit by means other than printing money.

Mr Dimitry Tulin, deputy governor of the central bank, said the sale of Rbs885.4m marked "the birth of a new market in our country for credit instruments".

The first issue, which is small in contrast to Russia's budget deficit, is to be followed by monthly auctions of bigger amounts.

The three-month bills were sold at around 84.7 per cent of their par value, with an average annual yield of 103 per cent. This is far below inflation, which exceeds 1,000 per cent a year, but still attractive to commercial banks which have to keep vast amounts of idle funds to make up for a slow banking payments system.

The central bank payments system can also hold on for weeks to rapidly-depreciating roubles owed to exporters who may therefore also be attracted by the liquidity of the bills.

Mr Tulin said commercial banks had Rbs3,000bn in idle funds and that half that amount might be invested in Treasury bills if the new instrument was proved to be reliable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on May 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9½ 94	200	105⅝	106⅛	-⅛	4.19
Alberta Province 9¾ 95	600	110¼	110⅝	-⅛	4.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	98¼	99¼		8.14
ECSC 7¼ 94 LFr	1000	100	101		7.72
World Bank 8 96 LFr	1000	101⅛	102⅛		7.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	1	15
Other Fixed Interest	5	0	10
Commercial, Industrial	236	291	873
Financial & Property	127	151	520
Oil & Gas	5	34	45
Plantations	0	0	8
Mines	65	8	66
Others	28	61	34
Totals	528	536	1,671

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
48	F.P.	-	58	55	Break for the Border	58		N-	-	-	8.6
25	F.P.	-	32	28	Brunsdale Aggregates	[illegible]		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations Aug. 12
- For settlement Aug. 23

3-month call rate indications are shown in Saturday editions.

Calls in Arteris, ASDA, Butte Mining, Cluff Res., Gartmore Emerging Pacific, Greenwich Res., HTV, Hartstone, Y.J. Lovell, Microvitec, Millwall, Monarch Res., Motor World, Porter Chadburn, Psion, Rothmans and Tadpole Tech. Puts in Goldsmiths and Motor World. Doubles in Division Group and Greenwich Res.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	34	47	53	13	20	28
(*530)	550	10	20	30	45	48	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAT Inds	500	25	59	72	1	24	45
(*522)	550	1	32	47	32	48	72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	240	21	28	35	3½	12½	17
(*258)	260	9	18	26	13	22	29
British Gas	280	17	26	30	3	7½	14
(*292)	300	5½	14	19	12	17	25
Dixons	200	17	24	33	5	16	19
(*211)	220	6½	16	23	15	26	32
Eurotunnel	360	45	63	76½	6	16½	29
(*389)	390	23	45	60½	16½	33	44½
Glaxo	600	50	75	86	9	29	48
(*637)	650	21	48	61	31	52	72

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Hillsdown	140	13	19½	24½	3½	8	13
(*148)	160	3½	9½	15	14½	18½	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*95)	100	8	11	12½	8	12	16
Unilever	1000	61	78	91	19	28	42
(*1012)	1050	25	48	64	46	56	68
Utd Biscuits	390	35	48	-	16	21	-
(*406)	420	22	31	-	30	36	-
Brit Aero	330	3	35	45	3	34	45
(*331)	360	-	24	34	39	53	-
BAA	700	50	58	70	1	13	21
(*745)	750	1	26	42	7	34	44

FT-SE INDEX (*2818)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	252	209	171	135	103	77	55	37
Dec †	305	-	232	-	169	-	117	-
PUTS								
May	½	½	½	1	6½	28	88	[illegible]
Jun	5	6	11	19	36	61	98	140
Jul	10	14	22	34	52	78	109	[illegible]
Apr	19	25	35	49	67	92	122	156
Dec †	45	-	70	-	109	-	[illegible]	-

May 19 Total Contracts 42,117
Calls 22,112 Puts 20,005
FT-SE Index Calls 4,673 Puts 9,633
Euro FT-SE Calls 2,504 Puts 540
*Underlying security price. †Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed May 19	Day's change %	Tue May 18	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.56	+0.12	127.41	2.04	4.09
2	5-15 years (23)	146.18	+0.30	145.74	2.14	5.22
3	Over 15 years (10)	156.89	+0.40	156.27	2.39	3.48
4	Irredeemables (6)	175.20	+0.58	174.19	0.73	8.12
5	All stocks (64)	142.80	+0.26	142.02	2.16	4.58
	Index-Linked					
6	Up to 5 years (2)	183.32	+0.01	183.30	0.85	1.82
7	Over 5 years (11)	172.18	+0.14	171.94	1.02	1.72
8	All stocks (13)	172.56	+0.12	172.35	0.97	1.75
9	Debs & Loans (68)	127.33	+0.47	126.74	2.30	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 19	Tue May 18	Year ago (approx.)
	British Government				
1	Low	5 years	7.16	7.16	8.07
2	Coupons	15 years	8.04	8.09	8.87
3	(0%-7¾%)	20 years	8.26	8.31	8.88
4	Medium	5 years	7.40	7.44	9.11
5	Coupons	15 years	8.46	8.50	8.91
6	(8%-10¾%)	20 years	8.56	8.60	8.89
7	High	5 years	7.61	7.66	9.30
8	Coupons	15 years	8.71	8.76	9.04
9	(11%-)	20 years	8.75	8.81	9.00
10	Irredeemables(Flat Yield)		8.61	8.66	9.08
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.89	2.88	3.94
12	Inflation rate 5%	Over 5 yrs.	3.58	3.59	4.35
13	Inflation rate 10%	Up to 5 yrs.	2.21	2.20	3.20
14	Inflation rate 10%	Over 5 yrs.	3.41	3.42	4.16
15	Debs &	5 years	9.01	9.04	10.47
16	Loans	15 years	9.49	9.54	10.25
17		25 years	9.64	9.69	10.15

Allied Lyons' £200m bond issue launched

By Philip Rawstorne

ALLIED-LYONS, the drinks, food and retailing group, yesterday launched its £200m convertible bonds issue.

News of this was leaked last weekend and led to three days of see-sawing share prices.

The company said yesterday that its financial advisers were discussing the leakage with the stock exchange and decisions about possible action would be made after the talks.

"We are very concerned about the leakage, which certainly was not in our interests," Allied said.

The timing of the convertible issue, which came a day after the group reported a £10m increase in full year profits to £620m, had not been affected by the leakage, it added.

Allied said the proceeds of the issue would be used for "general corporate purposes." Some will replace short-term bank borrowings used to finance its free-trade pubs' loan book.

None of the cash is intended for acquisitions, such as the purchase for an estimated £40m from Seagram of Perrier-Jouet/Barton & Guestier, the French distribution company.

Allied repeated its long-standing pledge yesterday to launch a rights issue only to fund a major acquisition.

The 15-year bonds will be converted into Allied ordinary shares at a premium between 17 per cent and 20 per cent above the company's share price. A coupon of 6¾ per cent will be paid twice a year.

Credit Suisse First Boston is leading the issue and Cazenove and SG Warburg Securities will be co-lead managers. There will also be a group of international co-managers.

See Lex and Capital Markets

Young & Co slips 7.5% to £5.17m as operating margins decline

By Catherine Milton

HIGHER interest costs helped depress pre-tax profits at Young & Co's Brewery, the south London-based real ale brewer, by 7.5 per cent from £5.59m to £5.17m for the year to March 27.

Stripping out last time's exceptional profit of £244,223 on the sale of assets, the decline was 3 per cent.

Turnover was £72.9m (£68.1m). Operating profits rose to £8.19m (£8.03m).

Interest charges rose to £3.02m (£2.68m) mainly because of increased borrowings for the August 1991 acquisition of HH Finch, the owner of 22 pubs and six wine bars, and fluctuations in interest rates.

The company said gearing at the year-end was unchanged at about 30 per cent. In April, Young raised £15m from a debenture issue partly to repay bank loans.

Operating margins slipped to 11.23 per cent (11.79 per cent). Mr John Young, chairman, said: "We offer lower prices. In the light of events we probably should have put them up but we try to offer better prices than our competitors.

"Recovery is slow and gradual. In the south and south-east, the recession is still biting quite hard."

He said the company's four hotels, opened on existing pub sites, were repaying their investment.

The company is opening another on Monday in south London and has planning permission for two more. Mr Young said he thought the company would ultimately run seven or eight hotels.

The board proposes a same-again final dividend of 7.5p giving a maintained total for the year of 14.5p. Earnings per share fell to 26.4p (27.51p).

Acatos rises to £5.14m despite static sales

By Catherine Milton

ACATOS & Hutcheson, the manufacturer and supplier of edible vegetable oils, lifted pre-tax profits from £4.23m to £5.14m in the half year to March 28.

The new FRS 3 accounting standard meant the improvement for the six months was flattened by an exceptional credit of £600,000 shown for the comparable period. Last time it was recorded as an extraordinary item.

Turnover was static in the first half at £104.9m (£104.6m) and trading remained difficult in the current half, said Mr Ian Hutcheson, chairman.

"Prices in the retail sector remain under pressure while some easing in the bakery market will not benefit us significantly in the current year." More than 50 per cent of turnover goes to catering and retail customers.

He said performance gains at the company's Orchard Place factory, which contributed to the improved profits, would not be repeated on the same scale and there would be less scope for further interest savings.

Net interest charges fell to £387,000 (£826,000) because of lower interest rates and the company said gearing was further reduced. Mr Ian Caunt, finance director, said gearing figures fluctuated with purchases of raw materials.

Mr Hutcheson said his confidence in future prospects was increasing: "Volumes were maintained in all our principle markets despite continued strong competition."

The company said the continuing decline in the total market for edible oils concealed a switch away from non-refined oils based on animal fats in favour of vegetable fats. Mr Caunt said: "Animal fats are a minor part of our business and have been for a number of years.

"We have progressively shifted into vegetable oils and in addition produce some more sophisticated products like low-fat spreads."

The board has declared an interim dividend of 3p (2.5p) on earnings per share of 10.4p (9p).

Compass route raises eyebrows

By Richard Gourlay

FOR 18 months Compass has said it wanted to move into Europe to establish a contract catering business in the fragmented market.

It was therefore only the route that raised eyebrows yesterday when Compass group bought the SAS airport catering and contract catering business for £71.9m, financed through a rights issue.

While the market greeted the deal favourably, the choice of Scandinavia, does require some explaining. As one analyst said, "It is good deal but it could have made a better move into Europe."

First of all, the majority of the contract catering business is in Scandinavia – about 40 per cent of that is in Norway's offshore sector. And half the airports are in Norway or Sweden, with 20 per cent in the UK.

It is not entirely clear why these northern reaches provide a better platform for growing in the Benelux, France and Germany – the key European markets – than does the UK.

Secondly, Compass is increasing the risk profile of its business. Catering for workplaces or health services may be cut-throat but having won the contract the income line is at least nailed down. With airports, tomorrow's sales cannot be known for certain.

Tony Andrews

Francis Mackay: market greeted the deal favourably

Thirdly it is not clear that the Compass style of squeezing suppliers to improve margins will necessarily travel to the Continent or that it will be easy to implement across eight countries.

Compass is confident, however, that it can deliver improved margins. Mr Roger Matthews, finance director says the SAS businesses will give the group experience of managing in Europe and the chance to grow organically from a modest base in Germany, one of its strategic target markets.

By moving into airports, Compass has also gained exposure to a market segment that will recover earlier in the economic cycle than its existing businesses. Contract catering in the UK may now be bumping along the bottom but it could be a relatively late beneficiary of economic recovery while the push into hospital and educational catering will also take a while to bear fruit.

Compass has also bought from SAS the option to introduce Burger King hamburger outlets at European airports outside France. This will give it a useful comparator for the Casey Jones hamburger and Upper Crust sandwiches, two much smaller brands it bought last year.

Financially, the deal has done Compass no harm. Deferred payment and a rights issue slightly larger than the purchase price will reduce gearing from the 200 per cent that would have prevailed at the end of 1993. Gearing should now be about 77 per cent on debt of £39m. More importantly in this business, Compass's interest cover rises from about seven times to over 14 times.

Following the deal some analysts have lifted forecasts of earnings to 38.9p for the first full year, which gives a prospective multiple of 13.6, a modest premium to the market.

RJB goes to market valued at £103m

By David Lascelles, Resources Editor

RJB MINING, the privately owned coal company which aims to take advantage of the restructuring of the British coal industry, is being floated on the stock market with a value of £103m.

The shares were priced yesterday at 250p.

This represents a multiple of 11 times earnings for 1992, excluding interest on the finance raised to buy the company out the year before.

The price also reflects a notional gross dividend yield of 5.75 per cent.

Just under half the company's shares, or 20m, are being offered for sale, and 13.3m of these have been firmly placed.

Of the £50m proceeds, £24.3m net will go to the company to repay bank borrowings and provide additional working capital. Existing shareholders will receive £23.5m of cash.

After the sale the principal shareholders will be Schroder Ventures with 28 per cent, Charterhouse with nine per cent and Mr Richard Budge, the chief executive, with 10 per cent.

Deadline for applications is 10am on May 27. Dealings start on June 7.

The Union of Democratic Miners took the unusual step yesterday of backing the flotation, with a call for British Coal to speed up negotiations to sell unwanted pits to companies like RJB.

Mr Neil Greatrex, UDM President, said: "Budge are convinced that they have the markets for coal and we support them. But unless a decision is made soon, this will be yet another lost opportunity for the industry."

■ COMMENT

With no obvious point of comparison in the market, the pricing of RJB presents something of a problem. But the indications are that underwriters BZW are erring on the side of caution. The £103m price tag is at the low end of the £100m-£120m range being bandied about. The earnings multiple is also below the average for the industrial materials sector, and the yield is slightly higher. This reflects partly the heavy demands currently being placed on the market, and also the uncertainty in RJB's prospects. If it fails to capitalise on the changes in the coal industry it will be left to the mercy of British Coal. But if it succeeds it could emerge as the country's leading low cost producer. The flotation is an opportunity to take a bet on the outcome.

Leeds reaps £2.9m and buys into Continent

By Peter Pearse

LEEDS Group, the West Yorkshire-based textile dyer and printer described by Mr Robert Wade, its chairman as "tortoise, not a hare", lifted pre-tax profit 16 per cent from £2.51m to £2.92m in the six months to March 31. This steady progress was "no more or less than is expected of us."

Turnover grew 4.5 per cent to £21.7m (£20.8m). However Mr Wade pointed out that, although this gave the impression of a climb in margins, they had in fact remained either constant or had slipped a little, though volume production had risen more than the turnover advance indicated.

He said that the financial value of sales had been adversely affected by two factors.

First, the fire at the Walsden factory, which accounts for a little less than 20 per cent of the group's output, had hit production – a "conservative" £385,000 exceptional credit was taken above the line to account for any business interruption insurance. Second, there was a 31 per cent fall in wool prices during the last year, though Mr Wade added that they had risen in the past few weeks.

Since the period-end, Leeds made its first non-UK acquisition in the Netherlands. For an initial £2.49m and a maximum further payment of £1.03m, it has bought TIM Beheer and Itex Brummen, which specialise in transfer printing of textiles and merchanting dyed and printed fabrics, as a "springboard" for the rest of Europe.

The non-apparel business continued to grow, though it still represented less than 25 per cent of the group.

Mr Wade said Leeds liked to do "difficult things where the margins are high" – the camouflage, printed furniture fabrics and curtains operations performed well, he said.

The difference between Leeds and other textiles groups, he said, was that it did not spin, weave or make clothing; it was simply concerned with colour and design, converting a commodity to what the market wanted very quickly.

On the non-textile side, Mr Wade said that Leeds Leasing had started to write an increased level of business after two years of restricted activity.

Earnings per share rose to 10.8p (9.5p) and the interim dividend is lifted to 2.75p (2.33p).

Watts Blake shareholders fail to find buyer for 45.2% stake

By Roland Rudd

WATTS BLAKE Bearne's fight to remain independent received a boost yesterday when three of its big shareholders said they had failed to find a buyer for their combined stake of 45.2 per cent.

The companies will continue to act as a concert party. Under takeover rules the sale to a single party would have led to an offer for the entire issued share capital of the ball clay producer.

The three investors, which had hoped to sell their shares by May 18, are Ceramics Holdings, controlled by the Lebanese Gargour family, Sibelco, a privately-owned Belgian-based producer of silica sand for the glass industry, and Quarzwerke, a private German producer of silica sand.

Mr John Pike, Watts Blake Bearne managing director, said: "I am very pleased that their offer for sale terminated. However, the concert party remains in force. The sooner this thing is sorted out the better."

The three shareholders are expected to try and sell their shares again, although they have not yet formally made a decision. J Henry Schroder Wagg, the merchant bank, is advising them.

Mr Pike is concerned that it could be difficult to mount a defence if the sale of a large block of shares triggered a bid at an unsatisfactory price. Watts Blake Bearne's shares fell 10p to 410p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acatos & Hutch'n	int	3	July 26	2.5	-	6.5
Anglo Irish Bank	int	1.38♣	-	1.38	-	3.38
Baggeridge Brick	int	0.75	Aug 11	0.75	-	3.125
Baris	fin	nil	-	nil	nil	2
Bass	int	5.45	July 30	5.25	-	15.9
Chamb'lin & Hill	fin	4.5	July 31	4.25	6.25	6
Compass	int	4.44☆	July 30	4.19	-	12.3
Dunedin World	int	2.4	July 5	2.4	-	9.5
Fulcrum Invest	fin	2.92	June 30	-	13.07‡‡	9.2
Gartmore Amer	int	1	-	1	4	4
Gates(Frank G)	fin	2.25	July 6	2.25	2.25	2.25
German Invest	fin	0.4	July 7	0.6	0.4	0.6
Leeds Group	int	2.75	July 1	2.33*	-	7.33*
M&G Income	int	1	July 20	1.3875	-	4.81
New Zealand Inv	int	0.5	July 9	0.5	-	1.1
Willis Corroon	int	1.65‡	July 1	3.3	-	13.2
Young Brewery	fin	7.5	July 13	7.5	14.5	14.5

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ‡Makes 3.3p to date (6.6p). ☆Final of not less than 8.56p forecast on increased capital. ♣Irish pence. ‡‡For 18 months.

PUBLIC WORKS LOAN BOARD RATES

Effective May 18

Years	Quota loans* EIP†	Ann††	Maturity§
1			6⅛
Over 1 up to 2	6⅜	6⅜	6⅞
Over 2 up to 3	6¾	6¾	7¼
Over 3 up to 4	7	7	7⅝
Over 4 up to 5	7⅛	7¼	7⅞
Over 5 up to 6	7⅜	7⅜	8⅛
Over 6 up to 7	7½	7⅝	8½
Over 7 up to 8	7⅝	7¾	8¾
Over 8 up to 9	7¾	8	9
Over 9 up to 10	8	8⅛	9⅛
Over 10 up to 15	8⅜	9⅛	9⅜
Over 15 up to 25	9½	9⅝	9⅝
Over 25	9¾	9¾	9¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Market disappointed with CU first quarter

By Richard Lapper

COMMERCIAL Union, the most successful UK composite insurer in recent years, yesterday disappointed the markets with poorer first quarter figures than had been expected.

Pre-tax profits of £16.2m for the first three months of 1993 compared with a loss of £19.2m, providing further evidence of the recovery in the UK general insurance market. However, the market was disappointed at the scale of the improvement, clipping the shares 6p to 594p.

"It is a good result but the improvement is not as marked as the rest of the sector," commented Mr Stephen Bird, analyst with Smith New Court, the securities house. Mr Bird pointed to a deterioration in the group's London market operations – where underwriting losses rose from £18.9m to £23.5m – – as a cause for concern.

CU stressed the improvement in the UK where, like its rivals General Accident and Royal Insurance, it had been helped by increased premium rates and lower expenses. UK underwriting losses fell from £54.1m to £34.7m.

With its solvency strengthened by the £428m rights issue in February, CU has also continued to increase premium income, especially in UK motor, home and life markets, although the pace of growth declined compared with the fourth quarter of last year.

Overall life premium income rose to £518.5m (£454.4m) and general insurance premiums to £1.09bn (£830.3m). Investment income of £84.1m (£64.3m) was offset by an underwriting loss of £99.8m (£113.6m).

Earnings from associated undertakings amounted to £2.1m (£3.1m).

A non-life operating loss of £13.6m (£46.2m) was offset by life profits of £29.8m (£27m).

Mr Tony Brend, chief executive, said that losses from the Bishopsgate bomb last month would feed through into the group's figures in the second quarter.

"Information on possible losses is still incomplete but current indications are that the effect, after reinsurance, is unlikely to exceed £25m," said Mr Brend.

Willis Corroon expands by 12%

FIRST-quarter results from Willis Corroon, the largest insurance broker in the UK, improved nearly 12 per cent but the directors are sticking to their dividend cut.

They had forecast a reduction of up to 50 per cent in the year's total in March when they halved the first interim to 1.65p. Now they are taking the same action with the second interim.

In the 1992 year group profits were pulled back by substantial provisions in its UK insurance subsidiary. In the opening quarter of 1993 further provisions were included in losses of £2.9m incurred by the discontinued operations.

Using a constant exchange rate of $1.50 to the pound in the quarter, pre-tax profit came to £47.1m (£42.1m). The operating profit of £47.2m (£39.9m) comprised broking £42.6m (£36.5m) and underwriting £4.6m (£3.4m).

Geographically, that was split as to UK £34.9m (£36.8m), the US £10.4m (£3.1m) and rest of the world £1.9m (nil).

Earnings per share were 7.1p (6.7p).

Profitability of the broking and consulting businesses improved as a result of actions taken over the last two years. On an underlying basis brokerage and fee revenue grew by 2 per cent while operating expenses fell by 2 per cent.

Insurance companies in North America made another solid contribution. Results of the discontinued UK underwriting operations were again disappointing, caused by deterioration in the final three underwriting years and further provisions.

Dividend prospects boost shares

David Lascelles looks at the forthcoming electricity results season

DIVIDEND increases of over 10 per cent in real terms are expected to loom large in the electricity industry results season which gets under way today. This has provided some fizz to the shares in the last few days.

Scottish Power will be the first of the 17 companies to unveil its performance for the year ended March 31. The remainder will be strung out over the next seven weeks, making the power industry something of a results marathon for investors and stock analysts.

The focus on dividends is a touchy issue for the regional electricity companies (RECs) and the generators because of the fuss that earlier generous pay-outs have caused. There is also the reaction of Professor Stephen Littlechild, the electricity regulator to be considered. He has embarked on a wide-ranging review of electricity pricing practices.

Previous results seasons have shown that the later a company reports the larger its dividend increase tends to be, as if boldness grows with time. The RECs deny that this is the case.

But it is a fact that the three regional companies tipped to make the biggest increases, Yorkshire, Seeboard and Southern, do not report until late June and early July.

ESTIMATES OF PROFITS AND DIVIDENDS

Company	Results due	Pre-tax* £m	Change %	Dividend total p	Change %
Scottish Power	May 20	290	6.8	11.2	10.1
National Power	May 27	575	15	10.4	14.3
PowerGen	June 7	400	14	10.5	13.5
Hydro-Electric	June 10	143	4.4	11.3	11.2
East Midlands	June 14	155	3.6	19.2	12.3
Manweb	June 15	113	22.2	20.4	11.8
South Wales	June 17	88	20.7	22	13.4
Norweb	June 23	158	25.8	19.8	11.9
South Western	June 24	100	21.5	18.7	13.2
Yorkshire	June 25	152	9.3	20.4	14.9
Northern	June 28	111	12.6	21	13.2
Seeboard	June 29	112	14.7	19.7	14.2
Eastern	June 30	184	28.8	18.9	13.2
Southern	July 1	185	9.1	19	14.1
LEB	July 2	143	3.6	18.9	12.5
Midlands	July 6	188	16.2	18.4	12.5

* Year to March 31, 1993 Source: Estimates from [illegible]

Among the generating companies, National Power will also be a high payer.

PowerGen has already paid its second dividend, showing an overall increase of 14 per cent.

The electricity companies will justify their high dividends by pointing to their financial strength and the high level of dividend cover. Analysts at Barclays de Zoete Wedd are estimating average cover for the RECs of 2.8 times, with Manweb as high as 3.5.

The background to the results is fairly straightforward. Despite the incipient recovery, overall electricity sales are unlikely to show much change. But this does not mean that the RECs will return a uniform performance.

Actual profit growth will be mixed, with increases in single as well as double figures expected. The variations will reflect RECs' success, or lack of it, in the highly competitive non-franchise market, and other variables like bad debts and cost control. They will also report the fortunes of sideline activities such as appliance retailing, which have caused trouble in the past.

The big event that occurred in the second half of the industry's financial year was the settlement of the coal crisis. The uncertainty over the volumes and price of electricity to be generated from the new long-term coal contracts between the generators and British Coal has been removed.

This creates a framework for a significant part of the industry's long-term business. However, there is still the question of how much additional coal the generators will take from British Coal under the government's recently agreed programme to subsidise more pits. It seems unlikely, though, that either National Power or PowerGen will be willing to make firm commitments quite yet, though the comments of all the electricity companies will be keenly picked over by British Coal.

Prof Littlechild is currently engaged on a review of the pricing formula in the electricity supply industry, and he is expected to announce the results in July.

But analysts say he is unlikely to tighten the formula because he seems to want to encourage more entrants into this market.

More crucial will be the review of the distribution business which he will then embark upon.

This accounts for the bulk of the RECs' revenues, and any tightening of the regulatory regime would be reflected in REC profits and, therefore, in the dividends which provide the strongest underpinning to the sector.

British Gas in joint venture with Tenneco

BRITISH GAS has agreed with Tenneco Gas, the gas arm of the US industrial company, to develop joint gas transport projects in South America, writes Deborah Hargreaves.

The agreement follows the company's move last week to set up a new subsidiary, British Gas Sudamerica, to provide services to the gas, water, telecommunications and electricity companies in South America.

Mr Mike Fulwood, British Gas general manager for the US and Latin America, said the companies were looking at a number of opportunities.

Last December a consortium headed by British Gas won a controlling share in MetroGas, the distribution company in Argentina. The company is hoping to use its experience in MetroGas as a base for moving into other gas projects.

● British Gas said it would drill its first well in the Black Sea in July after it won licences to explore for oil and gas in Bulgaria.

Focus on the luxury look

Andrew Bolger on Time Products' US expansion

A US manufacturer of luxury handbags might seem an unlikely diversification for a UK watch and jewellery distribution group, but Time Products is convinced that the recent acquisition offers immense opportunities.

The UK company paid $17m (£11m) in March for the business of Judith Leiber, an American who designs handbags which can sell for several thousand dollars each.

Mr Marcus Margulies, chairman of Time Products, said of the acquired company: "Its products have not been actively marketed outside North America and I am confident that there is a substantial potential for developing the brand on a worldwide basis.

Mr Margulies is excited about the opportunities for the group – particularly in North America, where leading department stores are keen to stock Judith Leiber's handbags. "The day just hasn't got enough hours in it at the moment."

Time Products owns Sekonda watches, one of the UK's biggest mass-market brands, but it is increasingly focusing on luxury goods.

Mr Margulies said that three years ago the balance of the group would have been 80 per cent mass-market and 20 per cent luxury products, and by next year the proportion would be reversed.

In March the company paid £2m for 5 per cent of Audemars Piguet, the Swiss watchmaker which specialises in technical and luxurious pieces.

These most recent investments came together when Time Products was awarded the North American agency for Audemars – having distributed its watches in the UK for a number of years. A showroom for the luxury watches is now being developed at Judith Leiber's New York premises.

Trevor Humphries

Marcus Margulies: excited about developing Judith Lieber brand

Time Products also claims to be the UK's leading distributor of branded simulated pearls following the bolt-on acquisition of Rosita and Samuel Jones. In spite of recent heavy spending on acquisitions, the group has about £10m of net cash.

Time Products reported a 22 per cent increase in pre-tax profits to £9.3m for the year to January 31, on overall sales down from £51.1m to £49.6m.

The group's shares have risen from 101p at the end of 1990 to their present level of 208p, giving it a market value of £110m.

Mr Margulies gives much of the credit for Time Product's new strategic stance to Mr Richard Langdon, the City company doctor who took over from him as chairman from 1984, after difficulties in Hong Kong had pushed the group into the red.

Although Time Products makes watchstraps and now handbags, manufacturing will never again play a big role in group thinking.

Mr Langdon, who retires from the board soon, handed the chairmanship back last year to Mr Margulies, whose family controls 20 per cent of the company. Mr Margulies said: "Richard forced us to put blinkers on – we now know we have to concentrate on brands and marketing."

Weak demand trims Maple Leaf to C$10m

By Bernard Simon in Toronto

FIRST-quarter earnings of Maple Leaf Foods, the Canadian food processor which is 56 per cent owned by Hillsdown Holdings, dipped by almost 5 per cent as a result of weak demand and fierce competition.

Net earnings were C$10.2m (£5.2m) or 13 cents a share, down from C$12m, or 15 cents a share, a year earlier.

Last year's figures exclude a C$3.3m contribution from the discontinued edible oils business.

Sales dropped slightly, from C$638m to C$632m, but operating profits tumbled by 24 per cent to C$13.2m. The directors explained that results were cushioned by higher interest income and lower tax provisions.

Large tax payments made during the quarter have reduced cash reserves to C$172m compared with C$205m at the end of 1992. Long-term debt has grown from C$12.5m to C$43.6m in the past year.

The company said that many sectors of the retail food business had been hit by lower demand, competitive pricing and "trading-down" by consumers to lower margin products.

On the other hand, agribusiness earnings improved sharply, partly because of a rationalisation of facilities. Mr Charles Bowen, chief executive, forecast an improvement in earnings over the rest of the year thanks to lower costs and new products.

Chamberlin & Hill 11% ahead at £1.6m

CHAMBERLIN & Hill slowed down in the second half with only a marginal improvement in pre-tax profits.

Accordingly, the increase over the year ended March 31 1993 was restricted to 11 per cent, with profits of £1.59m compared with £1.43m.

Turnover for the group, which makes iron castings, electrical conduit fittings and switchgear, improved from £19m to £20.3m. That advance was wholly attributable to exports, the directors said, the prospects for which were good.

There was yet to be seen clear cut evidence of significant growth in UK demand, they added.

Earnings per share came to 18.07p (15.28p). The proposed final distribution amounts to 4.5p (4.25p), which lifts the total payable for the year to 6.25p, against a previous 6p.

Engineers still wait to uncork champagne

The sector faces a slow recovery, according to the survey of the FT Six. Andrew Baxter reports

THE recession may officially be over, but the champagne is being kept on ice in Britain's battered engineering sector, which faces a slow, spasmodic recovery to "normal" levels of business.

The six engineering companies whose progress out of the recession is being tracked in the FT's occasional survey of the sector say conditions are improving – but not by much – and confidence within the customer base is picking up gradually.

The good news is that further job cuts are mostly off the agenda, as long as the gradual upturn does not grind to a halt.

At JCB, the construction equipment group, employees are even working a modest amount of overtime.

But, significantly perhaps, those ubiquitous phrases of the past few months – "We've definitely bottomed out" and "It's not getting worse" – have not yet been laid to rest.

The previous survey in the series, published on December 30, found faint signs of confidence returning to the customers of the FT Six. Since then, interest rates have been cut by another 1 percentage point.

But the first four months of this year have shown that the engineers were right to be cautious in December about the pace of the recovery – recognising that it would take time for customers to feel confident about the stability of the interest rate and currency environment.

This is how things are looking for the FT Six:

Fenner, the power transmission and industrial conveyor belting group, announced its half-year results on Tuesday.

Pre-tax profits dropped from £2.28m to £105,000, but Mr Peter Barker, chairman, said customer confidence was rising.

With UK manufacturing output set to rise this year and next, the company was "well placed to derive maximum advantage from the recovery that now appears to be underway."

At Senior Engineering Group, the tubing, boilers and ductwork company, volumes have improved in some consumer-related businesses, although not in more investment-related sectors where the lead times are longer.

Mr John Bell, chief executive, says there is more confidence within industry, and speaks of "a will to see things improve."

Overall, he had seen a gentle improvement in UK business conditions, but a normal level of activity was probably some months away, perhaps in the autumn.

One hopeful sign comes in Senior's contract heat treatment business, which takes in metal components from a wide range of manufacturers and heats them for extra strength.

Here, there has been a good improvement in volumes, says Mr Bell: "This is a true indicator of the economy. It takes in business on a day-to-day basis, and there is nothing more instant than that."

Mr Peter Burton, chief executive of Bloxwich Engineering, says: "I feel in my bones that perhaps the recession is over," but he warns that there will be no sudden revival of activity for the Walsall-based car and truck parts company.

The car side of Bloxwich's parts business has picked up, he says, due partly to continuing and forthcoming business from the Japanese transplants. But the truck parts business has yet to revive, and has not been helped by the receivership of Leyland-DAF, an important customer.

Another "chink" which Mr Burton points to is Bloxwich's tool-making business, where press tool activity has increased. "To make cars, you need tools first," says Mr Burton, "and customers are now optimistic enough to release work."

Overseas markets, and particularly Germany, offer mixed prospects.

On the one hand, Mr Burton says, "We think the German economy is in a hell of a mess." But he hopes Bloxwich can benefit from the more international sourcing policy at Volkswagen under the new purchasing director, Mr José Ignacio Lopez de Arriortúa.

The 600 Group, the producer and distributor of machine tools and materials handling equipment, has also been hit, at least in the short term, by the Leyland-DAF collapse.

The engineering company has 50 per cent of the market for truck-mounted cranes, and one-third of its products in this sector went on Leyland-DAF Trucks, says Mr Colin Gaskell, managing director.

Overall, Mr Gaskell is unable to report any "vast upturn" in the UK market, but there are a lot more inquiries around, he says. "Our sales guys are much more optimistic than they have been." The rate of purchase by end-users of machine tools, as opposed to dealers, has picked up.

As at Bloxwich, Mr Gaskell is concerned about economic conditions on the Continent, which look "pretty sick."

But he thinks that the devaluation of sterling has created an opportunity to sell machine tools in Germany, where customers might refuse to pay the customary premium for domestically-produced equipment if it becomes excessive.

At JCB, the period from April-June is a traditional stage of increased buying by plant-hirers and other users of earthmoving equipment, so gauging any upturn is difficult. But Mr Gilbert Johnston, deputy chairman, feels that the UK market "just has to be past the worst.

"Things are better, but it's not something we're jumping up and down about," he says. In broad terms, activity could still rise by between 25 and 30 per cent to reach normal levels for the domestic market.

Mr Johnston says the improvement will be gradual. Indeed he hopes this is the case, as that would produce a more stable and sustainable recovery.

Mr Johnston is not expecting any immediate help from the all-important UK construction market, where activity was described recently as still at dangerously low levels. Taking a five-year view, however, he says it looks good for improvement.

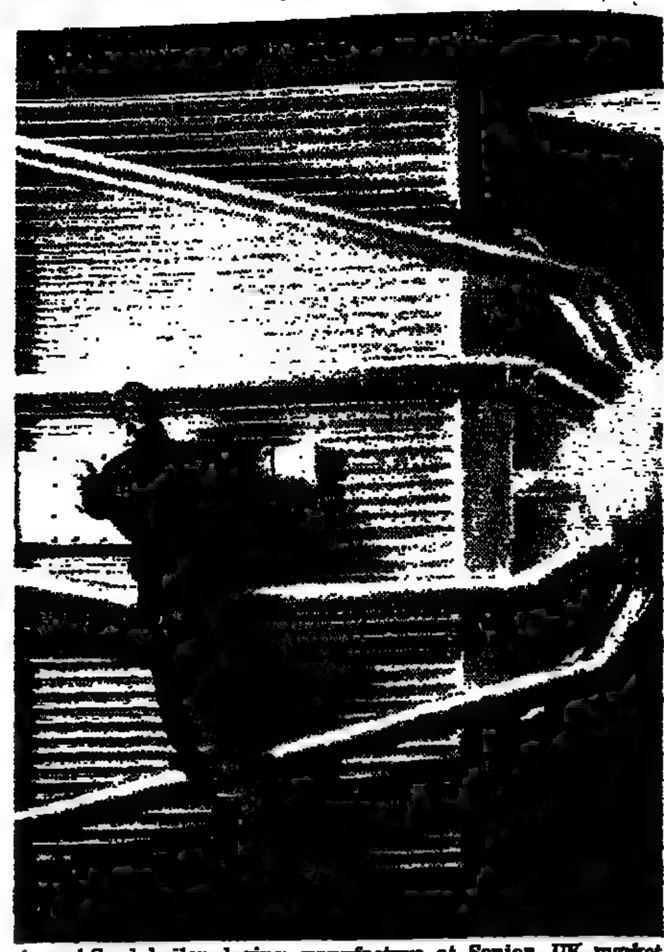
Finally, Mr Reg Bricknell, managing director of Posiva, the gears and drives producer, does not think that the recession is over, but there are pockets of industry producing more orders.

Although German-owned Posiva has had to adjust to the effect of the sterling devaluation on the products it brings in from Germany, it is also benefiting from increased activity among customers exporting from the UK.

The order intake in the first three months of the year was 36 per cent higher than the comparable period of 1992. "This is not just green shoots," Mr Bricknell says. "It's due to the efforts from our salesmen."

The increase in business has been helped by equipment that Posiva is supplying to the big UK builders of power stations and water treatment plants in Asia.

In the home market, though, Mr Bricknell does not yet see sufficient stability to prompt confidence that activity will continue upwards. He would like to see a few more months of the same growth trend before declaring the recession over.



A coal-fired boiler during manufacture at Senior, UK market leader for boilers projects in combined heat and power schemes

NEWS DIGEST

Anglo Irish Bankcorp rises 36%

PRE-TAX profits of the Anglo Irish Bank Corporation improved by 36 per cent to I£4.44m (£4.33m) against I£3.25m in the six months to March 31.

Mr AG Murphy, the chairman, said the bank had continued to move ahead strongly in the treasury deposits area, building its deposit base up to I£860m.

Mr Murphy particularly noted that during the six months the bank gained market share in the personal and corporate deposit sector where the customer base had increased by 23 per cent.

He added that in March the International Banking Credit Agency had affirmed the bank's strong credit rating.

A maintained interim dividend of 1.36p has been declared out of earnings of 2.74p (2.69p).

Tharsis applies for listing cancellation

Tharsis, the Glasgow-based group mainly involved in property development in Spain, has applied to the Stock Exchange for a cancellation of its listing and permission to deal in its shares under Rule 535.2.

The rules of the Exchange require that at least 25 per cent of a company's shares must remain in the hands of the public.

Tharsis said that Inpec had recently acquired a further 462,190 shares in the company, bringing its holding to 1.26m or 48.36 per cent. Following that purchase, some 83.7 per cent of the company's shares are held by five shareholders.

It said that the recent low number of transactions in its shares was a further indication that the company's listing was no longer appropriate or cost effective.

Dealings under Rule 535.2 are expected to begin on May 24. Allied Provincial Securities are the company's broker.

50% profit decline at Baggeridge Brick

Baggeridge Brick suffered from reducing production in the winter, turning in a pre-tax profit some 50 per cent lower in the six months ended March 31 1993.

Mr Peter Ward, chairman, explained that production was cut in order to help contain the national over-capacity that was evident at the time. In the event there was "some satisfaction" with the results.

In the period turnover rose from £11.9m to £13.1m. Operating profit came to £905,000 (£1.41m) with building materials accounting for £438,000 (£864,000) and landsource £467,000 (£546,000). Pre-tax profit worked through at £383,000 (£761,000).

Sales prices continued under pressure but the group's sales volumes and market share increased. Stocks were reduced considerably at March 31.

Mr Ward said demand was stronger for social and private housing, and brick and paving schemes were also on the increase. However, it would be some time before the commercial and industrial sectors of construction showed much improvement.

Earnings per share fell to 0.65p (1.29p) but the interim dividend is unchanged at 0.75p.

Group Development assets increase

At March 31 1993 net asset value of Group Development Capital Trust stood at 51.3p, an increase of 24.8 per cent since end- September and of 30.1 per cent since March 1992.

Gross revenue for the half year came to £138,000 (£136,000) and net loss was £12,000 (profit £5,000), equal to losses of 0.05p (0.02p profit) per share.

The losses per share were wereprimarily the result of the increase in expenses occasioned by the management fee calculated on net assets.

However, the directors expressed confidence that the year's dividend would be maintained at 0.3p.

16% asset rise for Dunedin Worldwide

At the end of the half year to April 30, net asset value of Dunedin Worldwide Investment Trust stood at 702.5p, a 16.4 per cent increase over the 603.3p at the end of the preceding six months.

The increase beat the Morgan Stanley Capital International World Index rise of 14.9 per cent in sterling. At the end of April 1992 Dunedin's asset value was 569.7p.

In January funds were switched out of overseas markets and into the UK, as the managers felt the latter had yet to discount the full extent of the eventual recovery in company profits.

Total revenue in the half year came to £4.33m (£3.16m) and net revenue to £1.65m (£955,000), for earnings per share of 4.84p (2.78p). The interim dividend is held at 2.4p.

The 1992 net revenue has been reduced by £279,000 in reflection of the change in accounting policy on the recognition of income receivable in respect of fixed interest securities

Golden Vale stake in Danish company

Golden Vale, the Irish dairy group, has agreed to acquire 33 per cent of Danish company A/S Vejle Margarinefabrik, margarine manufacturer, for DKr25m (£2.6m), payable in cash on completion.

Golden Vale has an option to acquire a further 33 per cent by December 31 1993 for a similar amount.

In the year to September 30 1992 the Danish company made pre-tax profits of DKr5.8m on sales of DKr102.2m. Net asset amounted to DKr23.1m.

In April the Irish dairy group reported a 13.5 per cent increase to I£16.7m in 1992 pre-tax profits.

Net borrowings fell to I£7.5m (I£20.6m), and gearing to 8.8 per cent (27.9 per cent). The company said this allowed it to spend "another I£30m to I£40m on acquisitions without having to go to the market."

Shortly after it completed the acquisition of Leckpatrick Holdings, a private dairy processor based in Northern Ireland.

The consideration consisted of 10-year loan notes, redeemable after one year, valuing each Leckpatrick share at 332p. There was a partial cash alternative up to a total of I£4.34m.

Spanish closure holds back Baris

Baris Holdings, which installs passive fire protection and drying systems, reduced its pre-tax loss from £948,000 to £351,000 in the year ended February 28 1993.

UK operations continued to perform well, but the year was affected by the closure of the unprofitable Spanish operation in the second half. Total losses incurred there, including closure costs, were £721,000, less a net tax credit of £363,000.

There were earnings per share of 0.2p (losses 13.3p) but no dividend is being paid (2p interim last time).

Mr Robert Smith, chairman, said price competition remained fierce and led to a reduction in margins on continuing activities from 17.4 per cent to 18.3 per cent.

He did not envisage a reversal of that trend over the next year and, with the reduced amount of work available, it was likely to effect the gross profit in the current year.

Current order book was £9m, against £14m last year, while inquiry levels were down from £64m to £48m.

A German subsidiary has been formed to exploit a market where margins were currently higher than in the UK and which should provide a stable work load over the medium term. A substantial contract had recently been won.

Gartmore American net assets growth

Gartmore American Securities, a split capital investment trust which invests predominately in higher yielding North American securities, reported a higher net asset value of 52.4p at the year ended March 31 compared with 35.2p previously.

Earnings per share rose from 4.26p to 4.39p and the dividend total is maintained at 4p with a same again fourth interim of 1p.

Net revenue came through at £1.5m (£1.45m). Asset value of the zero dividend preference shares was 78.3p against 69.3p.

Highbury screen contract for Avesco

Avesco, through its giant screen rental company Screenco, has been awarded a five-year exclusive contract to manage Arsenal Football Club's two new Sony Jumbotron video displays.

The installation of the screens at each end of the Highbury ground to show pre and post match entertainment is planned for the autumn. Arsenal has invested £2.5m and will be the first soccer club in the UK to introduce them on a permanent basis.

Apart from 30 match days, Avesco will have access to remove the screens for use at other events.

Frank G Gates better than expected

Frank G Gates, motor traders, vehicle distributors and contract hire concern, reported a pre-tax profit of £886,000 for 1992, against £1.32m, a fall of 32.6 per cent.

Turnover for the year was virtually unchanged at £56.7m against £56.4m.

Mr Edward Gates, chairman, said that the second half of the year turned out to be better than he had anticipated at the interim stage. He added that the first quarter of the current period had shown a considerable improvement over 1992.

Mr Gates said it was sufficient to justify a maintained dividend of 2.25p. Earnings for the past year fell from 4.85p to 3.65p.

NZ Investment net asset value ahead

The New Zealand Investment Trust had a net asset value of 144.6p per share at April 30 against 101.7p a year earlier.

Net revenue for the half year fell slightly to £128,939 (£131,692), equivalent to earnings per share of 1.29p (1.32p). The interim dividend is held at 0.5p.

Medeva in US dermatology alliance

Medeva and Matrix of the US have formed a major alliance in the field of dermatology to commercialise the novel Therapeutic Implant products being developed by Matrix for the US and European markets.

Medeva is to invest $10m (£6.4m) in new Matrix common stock at $15 per share and provide up to $12m development and milestone payments. Under the terms of the agreement, Medeva will purchase Matrix stock during the first year of collaboration.

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FINANCIAL TIMES
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Fresh surge takes gold to highest since Gulf War

By Kenneth Gooding, Mining Correspondent

ANOTHER FRENZIED day in the gold market yesterday saw the US dollar price rise at one point in the morning to $384.50 a troy ounce, its highest level since the panic buying just after the start of the Gulf War in January, 1991.

Traders said profit-taking by investment funds after the New York market opened pulled back the price in the afternoon and it closed in London at $377.15, up $6.90 an ounce or by nearly 2 per cent from Tuesday's close.

Gold's price slumped to a seven-year low of $327 an ounce in London on the first trading day of 1993. The rise during the past four weeks, inspired by high-profile investors Sir James Goldsmith and Mr George Soros, has taken the price up by 15 per cent.

Dealers warned that the frantic conditions might re-appear today because many countries observe Ascension Day – including Germany, Switzerland and South Africa – and that could create a thin and volatile market.

Analysts' reaction to gold's sudden upward surge was predictably mixed yesterday. Enthusiastic bulls suggested the price still had a long way to go and that the upward momentum would continue to be reflected in gold company share prices. "Don't let the grass grow under your feet while you are pondering your next move in gold shares," said Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group. "Gold's pauses for breath are turning out to be very short indeed – more akin to the urgency of a Grand Prix pit stop than a lazy afternoon siesta."

But an official at Anglo American Corporation of South Africa, the world's biggest gold producer, told Reuter that the demand which had boosted prices recently appeared to have come from a fairly small speculative community which could be unable to sustain prices at present levels.

Review cuts cost estimate for Papua New Guinea mine project

By Kenneth Gooding

AN URGENT review of the capital costs needed to bring the Lihir Island gold project in Papua New Guinea into production has resulted in "a sizeable reduction" from the US$767m previously expected and improved the economics, said Mr Geoff Loudon, chairman of Niugini Mining, one of the partners in the project, yesterday.

However, Mr Loudon said he had no idea whether the improvement would encourage RTZ Corporation, the world's biggest mining group, which has a majority stake in Lihir, to go ahead. All RTZ would say is: "We are continuing studies to improve the economics".

Lihir, in the crater of a dead volcano nearly full of very hot water, is the world's biggest undeveloped gold deposit with resources of about 42m troy ounces of gold. It is expected that it will produce 628,000 ounces annually in its first 13 years. The PNG government, which will take 30 per cent of the project, reducing RTZ's stake to 56 per cent and Niugini's to 14 per cent, is keen for mining to go ahead quickly and has been putting pressure on RTZ for a decision.

RTZ wants to reduce its exposure to the project on which US$135m has been spent so far – Mr Loudon described that group's attitude as "somewhat lacking in enthusiasm" – and has been seeking another partner to take a 20 per cent stake. The PNG government has given RTZ until today to complete the search or it will temporarily take 50 per cent of the project so as to speed up the funding process.

Mr Loudon, in London yesterday, pointed out that the PNG government had no intention of keeping the extra 20 per cent because the country would find it difficult to finance half the project. Its ultimatum to RTZ should be seen as part of a broader negotiating process.

He admitted it was a matter of concern to him than some big gold groups had apparently looked at the project "and not grabbed the 20 per cent". He was personally in favour of Niugini Mining taking the extra 20 per cent offered by RTZ but had not been able to persuade his board to take the opportunity. Niugini is 55 per cent owned by Battle Mountain Gold of the US.

A 1990 study put the capital cost of the Lihir project at US$1.1bn but in 1991 this was revised in a way that not only cut capital costs but also increased cash flow in the early years of production. However, gold output would be cut considerably in later years.

Mr Loudon yesterday would not give precise details but said the latest cost review, which would be completed within a week, looked at the possibility of employing a mining contractor and saving the US$60m in the Lihir budget for mining equipment. At present the cost of hiring contractors was very low.

Also the $68m "cost escalation" figure in the budget gave room for manoeuvre as it originally assumed annual inflation of 4 per cent over the 33 months to bring the mine into production. Inflation was now expected to be below that level and much of the equipment was to be acquired in Australia, so the fall of the Australian dollar against the US currency was also cutting projected costs.

Mr Loudon revealed that the PNG government had agreed that the Lihir project would pay no duty on fuel while the gold price was below US$380 a troy ounce (a level that was exceeded yesterday for the first time in two years). The partners were also asking for concessions on import duties on equipment but the government was insisting it could not afford to lose the revenue.

Trinidad's fertiliser output down 4%

By Canute James in Kingston, Jamaica

TRINIDAD AND Tobago's nitrogenous fertiliser output slipped 4 per cent last year to 2.36m tonnes, mainly because of plant closures for maintenance, the country's central bank has reported. Exports by the Caribbean state, a major supplier to the US and western Europe, were 2.08m tonnes, marginally less than in 1991.

Government officials say the country is now among the world's largest producers of nitrogenous fertilisers with installed capacity of 2.5m tonnes per year.

Last month the government sold its wholly owned urea plant and its 51 per cent stake in an ammonia plant to Arcadian Partners of Tennessee, a major producer of fertilisers, for US$175m.

Passions run high over Canadian forest

Bernard Simon on an increasingly bitter battle between fellers and conservationists

THE BATTLE for British Columbia's majestic cedar, hemlock and Douglas fir trees is being waged with especial ferocity over a scenic web of forests and waterways on the west coast of Vancouver Island, known as Clayoquot Sound.

The passions were evident last weekend when police arrested three people suspected of setting fire to a bridge leading to the forests. Environmental activists have been blamed for several other acts of violence. Another bridge was destroyed by arson two years ago and on the night that the town council of Tofino, the community closest to the sound, voted to support logging in the area earlier this year a fishing boat on the local beach was set on fire.

Fearing another outbreak of violence, the Vancouver police were out in force last month at the hotel where MacMillan Bloedel, one of two companies at the centre of the Clayoquot Sound storm, held its annual meeting.

Radical environmental groups have already threatened to "spike" trees in the Clayoquot Sound forests with metal stakes this summer. The spikes pose a serious hazard to loggers and diminish a tree's commercial value.

British Columbia's social-democrat government tried to defuse the tensions in mid-April by spelling out a compromise which met some, but not all, the demands of logging companies and their workers on the one hand, and conservationists on the other.

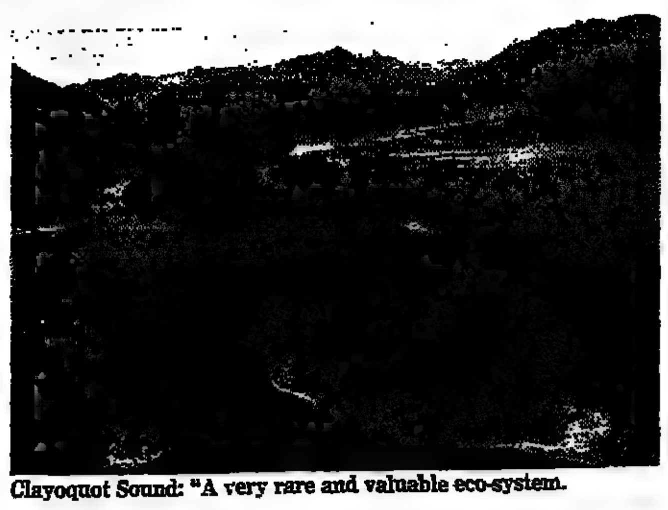
But the battle for Clayoquot Sound is far from over.

MacMillan Bloedel expects to be bogged down for at least a year in negotiating the details of how it will cut down the trees that the government has agreed to set aside for commercial logging. Mr Dan Miller, British Columbia's forests minister, concurs that "it will take some time for the companies to design these plans and to submit them to us for approval".

The conservationists, for their part, plan to fight MacMillan Bloedel and International Forest, the other company whose cutting licence includes Clayoquot Sound, every step of the way. "We will watch everything and challenge everything," says Ms Vicki Husband, director of the Sierra Club of Western Canada and one of the sharpest thorns in the side of the British Columbian forestry industry.

The province's government last monthasked a senior judge to examine allegations that it created a conflict of interest by buying a sizeable block of MacMillan Bloedel shares at the same time as it was coming to a decision on Clayoquot Sound.

The forests of the 262,000-hectare sound are not only important in themselves to both sides but also epitomise the wider questions in the debate on forestry and the environment: to what extent should trees be cut down to maintain jobs and investments in forests and saw-mills? Or should the forests be preserved entirely for wildlife, environmentalists and tourists?



Clayoquot Sound: "A very rare and valuable eco-system.

MacMillan Bloedel says the sound would provide about 10 per cent of the annual feedstock required by its mills at nearby Port Alberni. The company already faces reductions of up to 14 per cent in tree-cutting licences for other provincially-owned forests supplying the Alberni mills.

The timber industry also worries that the wrangle at Clayoquot Sound is part of a developing pattern of endless negotiation, harassment and, increasingly, violence which have come to bedevil logging operations across the west coast of North America.

More than two years ago, the provincial government divided the nearby – and equally picturesque – Carmanah Valley between working forests and wilderness areas. But operations there remain suspended as the authorities and the companies haggle over detailed working plans.

Environmental activists see it differently. Ms Husband describes Clayoquot Sound as "a very rare and valuable eco-system", which is one of the biggest original temperate rain forests remaining along the west coast.

Armed with detailed maps, she demonstrates how logging has denuded old-growth forests on Vancouver Island. "They've raped and pillaged, to put it mildly," Ms Husband says.

Under the government's mid-April decision, about a third of the sound would be permanently off-limits to commercial forestry. Some 45 per cent would be available for logging, while 17 per cent would be "special management areas" where especially strict tree-cutting rules would apply to protect scenic corridors, wildlife habitats and recreation areas.

The government has promised to ensure that harvesting is carried out "sustainably". It plans, for instance, to restrict the size of clear-cuts, insist on greater use of helicopters to carry out felled logs and to set aside substantial buffer zones between tourist areas and logging activity.

The cost of cutting trees in Clayoquot Sound is thus likely to be high. The companies warn that this may encourage such undesirable practices as "high-grading", in which only the most valuable trees are removed. None the less, MacMillan Bloedel is satisfied that the government's decision is the best it could realistically hope for.

Mr Patrick Armstrong, a consultant whose clients include several British Columbian forestry companies, says that it "is a win for the forest sector if you put it in the context of the times, the issues and the pressures that were being applied".

But the government has promised to double the area of land set aside for parks and wildlife refuges to 12 per cent of the province. Mr Armstrong echoes the industry's concern that the tug-of-war over Clayoquot could be the forerunner of a multitude of similar battles.

Reconciling economics and ecology in New England

David Blackwell on an area that could benefit from environmental pressures elsewhere

DRY STONE walls running through mature hardwood forest in New England evoke a powerful picture of the sheer effort needed by the colonists to clear their new land of both trees and rocks in order to plant crops.

The ruins of a farmstead, complete with rusting implements, overshadowed by towering red and sugar maple, black cherry, ash, beech, pine and hemlock also bear witness to the regenerative power of nature. The remains of barbed wire fences, once wrapped round a sapling, run straight through the centre of a 14-inch diameter oak.

"There is no virgin forest here. This is all land cut over and used," says forester Bruce Jacobs, president of New Hampshire-based Fountain Forestry, which looks after 150,000 acres of US forest land, mostly in New England. He reckons that the potential of the second-growth north-eastern forests of the US as a source of hardwood has been overlooked at a time when US timber exports are booming and environmental concerns are reducing supplies.

The most visible example of environmental pressures has been the battle over the endangered spotted owl, which last month took up several hours of President Clinton's time in Portland, Oregon.

"We'll get some of the action because of the spotted owl," says Mr Jacobs, who says that protecting the species will locks up 12 to 14 per cent of the Pacific north-west's timber, and will have a big impact on the US domestic market. Already timber from the north-east is being sold in Chicago, which used to take all its construction timber from the west coast.

The abandonment of the farms in New England followed the Civil War and the opening up of the American west. A century and a half ago 70 to 80 per cent of Vermont was open, but now between 80 and 85 per cent is wooded again.

A time-travelling Indian would find the mix of species in the forest exactly the same as it was several hundred years ago. But he would wonder what had happened to the giant white pine, which was relentlessly cut down to supply masts for the battling navies of Europe. While the white pine is readily found, none have been around the 200 years or so necessary to reach 150 feet high and 3 feet in diameter.

That is not surprising considering the region's first saw mill started to operate in Maine early in the 17th century. Timber harvesting has not stopped since – and a white pine reaches its maximum commercial value after only 80 years.

In upper New York state about 40 per cent of the Adirondack mountains is now managed by the state as wilderness. Apart from the maintenance of trails, the forest is left alone, and presumably some white pines will once again reach 200 years of age. But most of the rest of the land is in private hands and the owners want to make it pay.

Mr Jacobs argues that it is possible both to make a profit from timber and to conserve the forest for hunting and leisure purposes. About 25 per cent of the entire US population is within a day's drive of the north-eastern forests.

The most profitable hardwood in the New England forests is black cherry, which produces beautiful timber for furniture manufacture. If left alone the black cherry reaches maturity in 80 years, although management of the forest can shorten the time to 65 years. It is fetching $250 to $350 per 1,000 board feet at present, although a tree suitable for producing veneer can fetch up to $2,000 per 1,000 board feet.

But the difference in price between the top value trees and those that can be used only for pulp is considerable. Pulped hardwood, which is needed for top quality paper such as that used in glossy magazines, fetches $3 to $5 a cord (a cord is a stack 4ft by 4ft by 8ft). It takes about 25 6-inch diameter trees to make a cord – valuing each tree at only a few cents.

In surveying for good prospective forest land, Mr Jacobs will look for timber that is at the pulpwood stage, but on the verge of reaching saw log stage. "You can buy at 20 cents a tree, and 30 years later you have potentially a tree worth $200 to $300," he says. "You also still have the land".

However, this means taking a long-term view. Many owners succumb to the temptation to take out all the best timber in one go, leaving the next harvest 60 to 70 years away. As Mr Jacobs points out: "It's very difficult to really hurt the forest from a biological view, but very easy to hurt in terms of economic value".

WORLD COMMODITIES PRICES

MARKET REPORT

New York raw **SUGAR** prices remained broadly lower at midday after a steep late morning drop, but the emergence of trade buying and an easing of technical selling allowed prices to move well off their two-week lows, traders said. Analysts said fundamentals remained bullish. That was underscored by the International Sugar Organisation's estimate for the 1992-93 world production deficit at 1.61m tonnes. New York arabica **COFFEE** prices erased moderate morning losses to stand slightly firmer at midday. The early sell-off came as profit taking emerged after Tuesday's rise of 3.45 cents a lb. Sales were also prompted by news that the Green Coffee Association had revised downwards by more than 50 per cent the decrease in US coffee warehouse stocks in April. On the **LME COPPER** ended the afternoon kerb little changed, with the mood indecisive and many traders looking to buy dips and sell rallies. There appeared to be solid resistance around $1,820-$1,830 a tonne for three-month metal and support below $1,800. Other metals were little changed – many appeared to be entering consolidation phases, dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.85-5.90z	-0.04
Brent Blend (dated)	$18.08-8.10	-0.04
Brent Blend (Jul)	$18.30-8.32	-0.04
W.T.I (1 pm est)	$19.67-9.69z	-.055

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	
Gas Oil	$174-175	-1
Heavy Fuel Oil	$70-72	
Naphtha	$182-184	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$377.15	+6.90
Silver (per troy oz)♣	455.5c	+5.0
Platinum (per troy oz)	$391.25	+8.0
Palladium (per troy oz)	$122.00	+1.90
Copper (US Producer)	87.0c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	14.04r	-0.01
Tin (New York)	254.0c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	140.36p	+0.51*
Sheep (live weight)†♣	137.16p	+1.66*
Pigs (live weight)†	91.48p	+1.04*
London daily sugar (raw)	$310.8	-9.2
London daily sugar (white)	$299.5	-4.5
Tate and Lyle export price	£314.5	-8.6
Barley (English feed)	£113.0v	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	57.25p	
Rubber (Jul)♥	58.00p	
Rubber (KL RSS No 1 May)	208.5m	
Coconut oil (Philippines)§	$420.0y	
Palm Oil (Malaysian)§	$385.0u	-3.5
Copra (Philippines)§	$272.5	
Soyabeans (US)	£172.5z	-0.5
Cotton "A" index	60.65c	+0.15
Wooltops (64s Super)	378p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago. †Provisional prices.

SUGAR – London FOX ($ per tonne)

White	Close	Previous	High/Low	
Aug	296.30	304.80	303.50	292.00
Oct	291.80	299.70	298.70	288.00
Dec	291.30	300.90	299.50	298.70
Mar	291.00	298.70	298.50	292.80

White 1558 (1031) Paris- White (FFr per tonne): Aug 1674.58 Oct 1658.17

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Jul	18.31	18.26	18.39	18.23
Aug	18.47	18.44	18.51	18.39
Sep	18.60	18.55	18.60	18.51
Oct	18.67	18.63	18.70	18.67
IPE Index	18.37	18.43		

Turnover 19198 (26442)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Jun	171.50	172.50	172.00	170.50
Jul	171.25	171.75	171.50	170.50
Aug	173.00	173.50	173.25	172.00
Sep	175.25	175.50	175.50	174.00
Oct	178.25	178.50	178.50	177.50
Dec	182.50	182.50	182.50	
Jan	182.75	182.75	182.75	

Turnover 7883 (12649) lots of 100 tonnes

WOOL

After last week's price surge in Australia, taking the market indicator up by 20pc from its low point only two weeks previously, the market there has given a steadier impression this week. Competition is still good with China, Taiwan and Japan active as well as the EEC. Prices for most merino fleece have, however, slipped a little, bringing the market indicator down to 449c/kg on May 19, from 455c/kg at the end of last week. In consuming countries covering pressure also appears to have subsided somewhat. There is, nevertheless, confidence that the lowest point of the season has been passed.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
May	647	647	645	
Jul	666	670	669	663
Sep	684	686	685	679
Dec	707	706	708	702
Mar	728	739	729	724
May	742	744	742	
Jul	756	758	756	754
Mar	815	818	815	

Turnover: 3182 (2843) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 18 697.99 (693.80) 10 day average for May 19 708.64 (710.41)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
May	906	900	901	891
Jul	920	916	930	907
Sep	919	916	922	905
Nov	927	923	931	915
Jan	932	930	935	924
Mar	937	936	933	

Turnover: 2937 (5554) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 18 Comp. daily 55.29 (53.26) 15 day average 53.32 (56.24)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	94.1	94.8	94.5	94.0

Turnover 29 (21) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	141.30	143.00	141.50
Oct	144.60	145.50	144.50

Turnover 20 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
May	1629	1629	1630	1630
Jun	1537	1545	1558	1539
Jul	1376	1380	1380	1374
Oct	1444	1442	1445	1435
Jan	1483	1490	1475	1470
Jul	1290	1313	1300	
BFI	1612	1603		

Turnover 632 (388)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
May	140.75	142.00	141.10	140.50
Jun	139.56	140.75	140.25	139.50
Nov	109.70	109.65	109.70	
Jan	112.55		112.55	
Barley	**Close**	**Previous**	**High/Low**	
May	134.25	135.50	134.50	
Nov	109.35	109.40	109.25	109.15
Mar	113.75		113.25	

Turnover: Wheat 213 (126), Barley 5 (40).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	115.4		115.6

Turnover 2 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,510 lots
Cash	1118.5-9.5	1122-3	1120/1118.5	1118.5-20		
3 months	1141.5-2	1146-6	1146/1141	1144-4.5	1141-2	183,559 lots
Copper, Grade A (£ per tonne)						Total daily turnover 51,597 lots
Cash	1160-1	1171-2	1161.5/1161	1161-1.5		
3 months	1179-80	1191-2	1188/1178	1181-1.5	1179-80	209,795 lots
Lead (£ per tonne)						Total daily turnover 3,788 lots
Cash	260.75-1.25	259-9.5		262-2.5		
3 months	270.5-0.75	268.5-9	272/270.5	271.5-2	271-2	19,640 lots
Nickel ($ per tonne)						Total daily turnover 8,629 lots
Cash	5625-35	5663-8	5595	5595-600		
3 months	5695-700	5730-5	5720/5660	5662-5	5680-90	51,309 lots
Tin ($ per tonne)						Total daily turnover 1,457 lots
Cash	5500-10	5517-22	5505	5500-5		
3 months	5555-60	5575-80	5570/5540	5560-5	5535-45	8,924 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,183lots
Cash	965-6	967.5-8.5	968.5	968.5-7		
3 months	982-4	987-7.5	991/978	986-6.5	981-2	67,037 lots

LME Closing £/$ rate: SPOT: 1.5420 3 months: 1.5318 6 months: 1.5230 9 months: 1.5157

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	377.00-377.30	
Opening	379.25-379.75	
Morning fix	378.75	245.273
Afternoon fix	381.90	246.946
Day's high	384.50-385.50	
Day's low	375.00-376.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.67	6 months	2.50
2 months	2.63	12 months	2.50
3 months	2.58		

Silver fix	p/troy oz	US cts equiv
Spot	308.45	474.40
3 months	313.00	477.95
6 months	317.25	481.45
12 months	326.85	490.60

GOLD COINS

	$ price	£ equivalent
Krugerrand	378.00-382.00	245.00-248.00
Maple leaf	392.65-395.65	-
New Sovereign	88.00-91.00	57.00-59.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jun	Sep	Jun	Sep
1125	33	50	23	27
1150	21	27	36	38
1175	13	19	52	52
Copper (Grade A)	**Calls**		**Puts**	
1750	93	119	43	59
1800	66	92	65	82
1850	45	70	940	109
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
850	76	96	6	27
900	41	66	21	47
950	19	45	48	76
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	7	27	39	43
725	3	10	60	60
750	1	13	83	79
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1800	47	-	20	32
1850	23	47	40	49
1900	10	28	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	373.7	375.5	379.5	379.5
Jun	374.2	376.0	383.5	373.8
Jul	375.1	378.9	0	0
Aug	376.1	377.9	385.5	375.0
Oct	377.9	379.6	387.2	377.2
Dec	379.6	381.3	389.0	378.5
Feb	381.2	382.9	390.0	381.0
Apr	382.9	384.8	393.0	384.0
Jun	384.6	386.3	392.5	386.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	385.8	391.0	396.5	385.0
Oct	384.0	389.3	394.5	383.5
Jan	383.2	389.0	394.0	383.0
Apr	382.9	388.7	393.5	392.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	452.4	460.6	472.0	454.0
Jun	452.8	461.3	0	457.0
Jul	454.0	462.5	475.0	451.0
Sep	457.2	465.7	479.0	454.0
Dec	461.8	470.3	485.0	459.5
Jan	462.4	470.9	0	0
Mar	466.5	475.0	488.0	465.0
May	470.0	478.5	480.0	480.0
Jul	473.5	482.0	498.0	472.0
Sep	477.3	485.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	80.40	79.85	80.70	79.90
Jun	80.45	80.05	80.55	80.35
Jul	80.60	80.40	81.25	80.15
Aug	81.05	80.65	0	0
Sep	81.35	80.95	81.75	80.85
Oct	81.60	81.20	0	0
Nov	81.90	81.50	0	0
Dec	82.20	81.80	82.60	81.80
Jan	82.35	81.95	0	0
Feb	82.60	82.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	19.21	19.34	19.37	19.15
Jul	19.68	19.67	19.78	19.59
Aug	19.87	19.87	19.95	19.80
Sep	20.02	20.00	20.06	19.94
Oct	20.07	20.08	20.15	20.04
Nov	20.11	20.10	20.12	20.05
Dec	20.12	20.12	20.18	20.09
Jan	20.14	20.12	20.14	20.14
Feb	20.12	20.11	20.12	20.12
Mar	20.12	20.10	20.12	20.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	54.18	53.80	54.20	53.70
Jul	54.40	54.26	54.55	54.10
Aug	55.10	55.01	55.20	54.80
Sep	56.10	56.06	56.15	55.90
Oct	57.05	57.06	57.15	56.90
Nov	58.05	58.06	58.10	57.90
Dec	59.05	59.01	59.05	58.90
Jan	59.55	59.51	59.55	59.45
Feb	59.35	59.28	59.40	59.30
Mar	58.05	57.86	58.00	57.95

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Jul	896	883	903	877
Sep	924	913	931	909
Dec	963	955	970	950
Mar	999	985	997	985
May	1019	1008	1008	1008
Jul	1039	1028	1040	1040
Sep	1062	1051	0	0
Dec	1094	1083	1081	1081
Mar	1128	1117	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	62.50	59.65	61.40	60.50
Jul	63.75	63.30	64.55	61.65
Sep	65.50	65.10	66.30	63.40
Dec	68.00	67.65	68.60	66.00
Mar	70.30	69.90	70.80	68.40
May	72.25	71.85	0	0
Jul	73.45	72.85	0	0
Sep	74.85	74.35	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.96	12.35	12.36	11.75
Oct	11.86	12.29	12.25	11.65
Mar	11.17	11.52	11.47	11.07
May	11.05	11.38	11.34	11.05
Jul	10.98	11.27	11.20	10.98
Oct	10.90	11.30	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	61.06	61.73	61.30	60.61
Oct	60.31	60.58	60.35	60.01
Dec	59.37	59.76	59.50	59.00
Mar	60.30	60.65	60.50	60.05
May	60.90	61.55	61.15	60.95
Jul	61.35	62.20	0	0
Oct	60.32	61.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	103.90	105.95	106.20	103.75
Sep	107.05	108.75	109.00	106.60
Nov	108.15	110.90	110.90	109.50
Jan	111.50	113.25	113.10	111.25
Mar	113.05	113.45	113.50	113.50
May	113.05	113.45	0	0
Jul	113.05	113.45	0	0
Sep	113.05	113.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 19	May 18	mnth ago	yr ago
1667.7	1676.3	1656.5	1599.2

DOW JONES (Base: Dec. 31 1974 = 100)

	May 18	May 17	mnth ago	yr ago
Spot	120.54	119.16	121.34	117.74
Futures	123.74	121.69	124.06	118.24

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	604/0	605/6	607/4	601/6
Jul	600/4	605/0	607/2	599/4
Aug	599/2	604/2	606/0	599/0
Sep	598/4	603/0	605/2	598/0
Nov	601/4	606/0	608/4	600/4
Jan	607/4	612/0	614/4	607/0
Mar	613/0	618/0	620/2	613/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.16	21.27	21.41	21.11
Jul	21.17	21.45	21.51	21.16
Aug	21.30	21.58	21.71	21.30
Sep	21.43	21.72	21.84	21.40
Oct	21.55	21.82	21.96	21.55
Dec	21.78	22.05	22.16	21.77
Jan	21.87	22.13	22.11	21.87
Mar	22.07	22.33	22.30	22.07

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	193.3	194.8	195.3	192.5
Jul	190.9	191.7	192.5	190.1
Aug	190.2	190.6	191.7	189.5
Sep	190.2	190.9	191.5	189.5
Oct	190.1	190.9	191.5	189.7
Dec	191.2	192.0	192.7	191.0
Jan	191.7	192.6	193.0	191.5
Mar	192.4	192.7	193.4	192.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	222/0	224/6	226/0	220/6
Jul	226/2	229/2	230/6	225/4
Sep	230/6	233/6	235/0	230/4
Dec	236/6	239/2	240/6	236/4
Mar	243/2	245/6	246/6	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	351/0	364/6	369/0	340/0
Jul	297/0	297/0	300/4	295/4
Sep	300/2	299/6	302/4	298/4
Dec	311/2	311/6	312/6	309/4
Mar	317/2	317/0	318/6	315/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	75.800	75.875	76.100	75.575
Aug	72.950	72.875	73.350	72.775
Oct	73.850	74.100	74.450	73.900
Dec	73.900	73.900	74.275	73.700
Feb	73.425	73.400	73.600	73.400
Apr	74.300	74.350	74.600	74.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	52.050	51.675	52.200	51.600
Jul	50.850	50.600	51.175	50.500
Aug	48.875	48.600	49.200	48.325
Oct	43.325	43.250	43.700	43.000
Dec	44.150	44.075	44.550	44.050
Feb	44.125	44.000	44.450	44.125
Apr	43.000	42.850	43.200	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	42.950	42.875	43.200	42.500
Jul	42.975	42.750	43.600	42.550
Aug	40.775	40.775	41.450	40.500
Feb	41.600	41.200	41.800	41.200
Mar	40.700	40.050	40.700	0

Shares slide as sales news disappoints

By Terry Byland, UK Stock Market Editor

UNFAVOURABLE news from the UK consumer sector, together with receding hopes of lower interest rates, cut into share prices in London yesterday, taking the Footsie Index down towards the 2,800 mark. Trading volume increased again, but once again the second line stocks outperformed the blue chips. Denmark's voting approval for the Maastricht treaty had little effect.

Share prices opened lower and an attempted rally was quickly extinguished. The late recovery on Wall Street overnight did little to lift London's doubts on the outlook for the New York market.

UK stocks began to slide at mid-morning as sentiment was upset first on the domestic and then on the international front. Disclosure of a sharp rise in German money supply in April and the absence of any rate change at the Bundesbank meeting put UK interest rate hopes back on to the sidelines.

News that UK retail sales had fallen by 0.3 per cent last month served to increase the City's distaste for the interim results from Bass, one of the leading UK brewers, which shook the sector by indicating a continued decline in beer sales and profits.

The slide in the market quickened as London traders backed away ahead of the opening of the new Wall Street session. In the event the Dow Industrial Average was down only 7 points in UK hours, but London stocks remained around their day's lows, with the Footsie nearly 30 points off at 2,817.7 at worst.

The final reading of 2,819.7 gave a loss on the day of 27.6 points. Even those traders who had warned that the stock market was merely moving within an established trading range of 2,787 to 2,890 sounded surprised at the speed of its reaction over the past two days.

One reason is the return of the rights issue flow, although this is at reduced pressure for the moment. Three issues were brought forward yesterday for a total of more than £350m, suggesting that the rights issue queue is being speeded up because of the weight of issues in the pipeline.

Yesterday's cash calls included the £200m convertible rights from Allied-Lyons, which had been widely expected on Monday, and two smaller equity calls from Compass Securities and Saatchi & Saatchi. Some relief came from the satisfactory reception for the next £3bn auction of government bonds.

The FT-SE Mid 250 Index again outperformed the Footsie, losing only 2.2 points to 3,149 and remaining within a few points of its all-time high.

However, turnover in non-Footsie stocks remained relatively low at only about 59 per cent of the day's Seaq total of 647.5m shares, compared with 633.4m in the previous session. The official total of customer business, which tends to disclose the strength of institutional business, increased on Tuesday to return a worth of £1.25bn.

Some strategists perceive selling pressure from the big institutions, which are believed to be short of cash and fearful that equity rights calls and gilt-edged funding demands could catch them out over the next month.

The latest reports from UK industry have done little to sustain faith in an early recovery in business activity and this, coupled with inflationary signs in the US and in Europe, have discouraged fund managers in London.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	15,000	69½	+1
Abbey National†	2,200	411	
Albert Fisher	2,700	67	
Allied-Lyons†	5,800	531	-12
Amstrad	1,500	33	-½
Anglian Water†	732	460	+5
Argos	211	308	+1
Argyll Group†	4,700	303	-4
Arjo Wiggins†	3,500	181	
Ass. Brit. Foods†	174	474	
Ass. Brit. Ports	686	412	-2
BAA†	336	745	-8
BAT Inds.†	5,700	822½	-21½
BET	4,100	108	+1
BICC	1,700	380	+2
BOC†	839	678	-3
BP†	7,600	307½	-7½
BPB Inds.	1,200	230	-4
BT†	8,900	412½	-5
BTR†	2,200	585	+4
Bank of Scotland†	465	136	+1
Barclays†	3,900	448	+2
Bass†	11,000	483	-50
Blue Circle†	2,900	254	
Booker	503	381	+3
Boots†	1,300	447	-8
Bowater†	1,900	462	
Brit. Aerospace	4,100	331	+7
British Airways†	2,100	298½	+8
British Gas†	4,300	292½	
British Land	1,800	297	+8
British Steel†	5,000	88½	+½
Bunzl	893	130	-1
Burmah Castrol†	569	708	-4
Burton	11,000	85¼	-½
Cable & Wire.†	1,200	715	-4
Cadbury Schweppes†	2,500	438	-11
Calor Group	22	343	
Carlton Comms.†	547	739	-8
Coats Viyella†	743	237	
Comm. Union†	502	574	-8
Cookson	943	158	-½
Courtaulds†	881	627	-10
Dalgety	1,900	431	-6
De La Rue†	677	849	-8
Dixons	1,100	212	-1
Eastern Elect.	190	452	+1
East Midland Elect.	359	442	+2
Eng China Clays†	1,200	433	-15
Enterprise Oil†	638	459	-16
Eurotunnel Units	430	389	-8
FKI	352	135	
Fisons†	3,400	161	-4
Foreign & Col. I.T.	1,000	222½	-3
Forte†	3,000	187	-5
Gen. Accident†	236	587	-10
General Elect.†	5,100	317	-2
Glaxo†	8,700	640	-12
Glynwed Intl.	1,100	302	-2
Granada†	1,400	389	-6
Grand Met.†	4,300	389	-8
GUS A†	314	1628	-18
GRE†	1,400	171	-2
GKN	5,800	436	-7
Guinness†	4,400	482	-14
HSBC (75p shs)†	2,100	603	-11
Hammerson 'A'	600	325	+11
Hanson†	11,000	233¼	-4½
Hanson Warrants	1,600	23	-⅛
Harrisons Crosfield	730	180	
Hillsdown	2,800	147	-4
IMI	1,200	284	-2
ICI†	1,000	1249	-11
Inchcape†	1,700	563	-8
Johnson Matthey	117	470	-2
Kingfisher†	1,500	607	-8
Kwik Save†	590	780	-2
Ladbroke†	6,400	175	-6
Land Securities†	951	553	-8
Laporte	333	619	+2
Legal & General†	1,400	482	+2
Lloyds Abbey	1,300	434	+1
Lloyds Bank†	1,800	540	-2
LASMO†	2,800	145	-8
London Elect.	1,200	451	+1
Lonrho	3,800	116½	+2
Lucas	10,000	134	-3
MB Caradon†	734	317	+2
MEPC	161	421	-5
MFI	1,300	133	-4
Manweb	610	508	+4
Marks & Spencer†	7,100	348	+½
Midlands Elect.	1,100	459	-2
Morrison (Wm.)	1,800	180	+4
NFC†	359	247	
NatWest Bank†	4,600	487	-6
National Power†	658	335	
Next	3,500	177½	+2½
North West Water†	1,000	490	
Northern Elect.	593	488	+3
Northern Foods†	2,600	288	-1
Norweb	1,500	482	-1
Pearson†	1,500	447	-6
P & O†	1,600	592	+1
Pilkington	4,700	129	
PowerGen†	450	343	
Prudential†	8,500	317	
RMC	687	704	-19
RTZ†	2,400	640	+1
Racal	1,100	197	-4
Rank Org.†	1,400	710	+8
Reckitt & Colman†	1,600	549	+5
Redland†	2,000	494	-17
Reed Intl.†	897	644	-8
Rentokil†	657	181	-2
Reuters†	933	1284	
Rolls Royce	1,000	147½	-½
Rothmans†	182	623	-8
Ryl Bk Scotland†	2,100	274	+1
Royal Insurance†	1,500	298	-4
Saatchi	1,400	170	-2
Sainsbury†	1,100	459	+8
Scottish & New.†	1,900	454	-8
Scot. Hydro-Elect.†	158	329	
Scottish Power†	2,800	313	+2
Sears†	1,300	107	-1
Sedgwick	6,600	182	-6
Seeboard	458	485	+6
Severn Trent Water†	1,300	480	+3
Shell Transport†	5,400	607½	-2½
Siebe†	1,400	467	+5
Slough Ests	822	185	+1
Smith (W.H.) A	315	429	-8
Smith & Nephew†	2,300	142¼	-½
SmKl Beecham†	2,100	475	-4
SmKl Beecham Uts.†	1,300	419	-4
Smiths Inds.	460	354	
Southern Elect.†	500	449	+3
South Wales Elect.	355	516	+4
South West Water	213	505	+6
South West. Elect.	194	472	+2
Southern Water	381	482	+2
Standard Chartd.†	372	733	+2
Storehouse	861	201	-4
Sun Alliance†	2,000	335	+1
T&N	453	168	-1
TI Group†	2,800	322	-4
TSB†	3,100	183	-1
Tarmac	3,200	138	
Tate & Lyle†	827	375	-6
Taylor Woodrow	3,800	114	
Tesco†	4,600	212	-3
Thames Water†	1,400	488	+1
Thorn EMI†	480	828	-8
Tomkins†	2,800	228	-1
Trafalgar House	3,600	95½	-1
Unigate	401	348	-2
Unilever†	2,300	1014	-22
United Biscuits†	2,200	405	-7
Utd. Newspapers	158	589	
Vodafone†	3,600	416	
Warburg (SG)	141	595	-8
Wellcome†	2,900	784	+16
Welsh Water	461	560	+4
Wessex Water	449	573	+2
Whitbread 'A'†	2,000	473	-14
Williams Hldgs.†	2,400	323	-7
Willis Corroon	3,900	188	-1
Wimpey	1,200	184	+2½
Wolseley	580	825	+5
Yorkshire Elect.	282	501	
Yorkshire Water	713	516	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Bass out of market favour

DISAPPOINTING results from Bass, Britain's largest brewer, sent the shares into freefall in their largest recorded daily trading volume. The stock ended at 483p, down 50, with turnover reaching 11m.

Every drinks specialist seemed to have a particular grouse with the Bass interim report, ranging from disappointment with Holiday Inns to astonishment at the level of cash outflow. The first-half outcome was a profits figure well below the most cautious City forecasts, prompting a welter of downgrades and negative comments.

Kleinwort Benson lowered its full year forecast by 10 per cent to £503m, while NatWest cut to £508m and SGST to £490m.

Analysts also reported a gloomy post-results meeting. Mr Geoff Collyer at NatWest said: "There was nothing in the Bass explanation that indicated that their strategy is going to work." SGST's Ms Alex Oldroyd added: "Even if trading picks up, investors will take a lot of convincing to get back into the stock."

Other sector specialists claimed that some disgruntled institutional investors were critical of the Bass management and there was speculation that pressure could be exerted for a splitting of the roles of chairman and chief executive.

Gold shares busy

The latest upsurge in the gold price triggered further strength in South African gold shares and lifted the FT-Actuaries Gold Mines Index to its highest level since August 1991.

The bullion price reached a 29-month peak at one point but came under severe pressure later after rumours that Mr George Soros, the US investor, had begun to sell.

London trading in South African golds built up throughout the session, with the top quality producers such as Vaal Reefs touching $74 before retreating to trade around the $71 level. Driefontein peaked at $12¾ before slipping to $12¼.

One leading trader said there was broad demand for golds, with South African institutions buying aggressively, closely followed by Continental and US investors. London buyers were more restrained.

The sudden strength in metal prices gave a further boost to Lonrho, the UK-based conglomerate with substantial interests in precious metals via big holdings in Ashanti, the Ghanaian gold mine, and Western Platinum, the South African platinum mine.

Lonrho rose 2 to 116½p, its best level for more than a year. Dealers said Lonrho's recent strength was in the face of some exceptionally heavy selling. Yesterday it was announced that the Malaysian-based Genting group of companies had reduced holdings in Lonrho by around 7m shares to 38.1m. "There has been a subtle but positive shift in the London market's view of Lonrho since the arrival of Mr Dieter Bock at Lonrho last year," said one dealer.

Enterprise hit

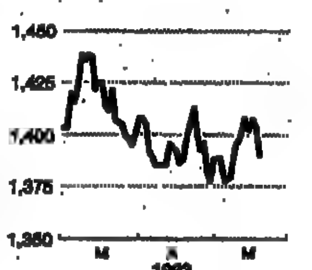
Enterprise Oil was the worst hit in a weak oil sector as dealers reacted to the re-emergence of rumours that a large block of shares in the company could soon be sold.

"It is an early start to the silly season in Enterprise," said one oil specialist, referring to long-running stories that a 6.3m block of shares in Enterprise held by Lehman Brothers might be sold off shortly. Lehman acquired the Enterprise shares via its participation in the listing of Enterprise ADRs in the US last year.

Speculation started with news that Enterprise is updating the prospectus it prepared for the ADR listing. However, it was pointed out that Lehman had been free to sell its Enterprise stock since the second half of last year. The shares closed 16 lower at 459p.

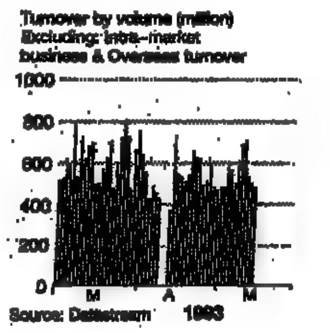
The much-vaunted bond issue from Allied-Lyons knocked the shares in a drinks sector weakened by the Bass performance. Allied lost 12 to 531p. Results, an aquisition and a rights issue left Compass Group a penny better at 528p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

The fallout from the bearish statement by BSN, the French food manufacturer, on Tuesday continued to impact on its UK counterparts. Unilever bore the brunt yesterday, crumbling 22 to 1014p.

Pharmaceuticals group Medeva added 4 at 221p after announcing a strategic alliance with Matrix, of the US, to sell skin products in the US and Europe.

Portals gained 8 at 474p, with some analysts signalling the relative value in the shares. Williams de Broe was pointing out the specialist paper maker's modest price/earnings ratio in the sector.

A £73m rights issue from Saatchi & Saatchi was well received and after the initial knock-back the shares recovered to close only 2 off at 170p, after hitting a low of 161p.

Tobacco and insurance group BAT Industries dropped again under the pressure of a fall on Wall Street and cautious statements at BAT's annual meeting on Tuesday. A decline in Philip Morris shares in New York also affected BAT shares in London.

The shares failed to react to positive advice from several UK analysts, including a buy note from Nikko Securities and research from NatWest Securities. The latter pointed out the "good value on yield, dividend growth and discount-to-asset grounds" but the stock closed a net 21¼ lower at 822½p.

Hanson, was another blue-chip international trader failing to respond to buy recommendations which were based on the conglomerate's solid yield. The shares lost 4¼ at 233½p.

Healthcare group Reckitt & Colman advanced 5 to 549p after announcing a performance in line with current growth targets.

Wellcome reacted belatedly to news that it has received UK approval to sell the cream version of its anti-herpes product Zovirax over the counter in chemists shops for treating cold sores. The approval, announced on Tuesday, was expected but the shares rose 15 to 764p yesterday.

International conglomerate BTR moved againsts the market trend, adding 4 at 585p in trade of 1.9m after SG Warburg reiterated its positive stance, ahead of today's agm.

English China Clays fell 13 to 433p after NatWest Securities downgraded profits expectations. The house reduced its current year estimate by £15m to £85m and the following year's figure by £18m to £114m.

Renewed weakness in crude oil prices as the market continued to fret about next month's Opec meeting upset the whole of the oil sector.

Lasmo, whose place in the FT-SE 100 Index is in jeopardy, fell in sympathy with Enterprise Oil and was additionally unsettled by some heavy selling in the traded options market, ending 8 weaker at 146p. This left the stock firmly at the bottom of the FT-SE 100 table.

BP was heavily sold, especially by US investors after talk that one of the leading Wall Street broking houses had taken the stock off its "buy" list. It closed 7¼ cheaper at 307½p.

Poor sentiment at GKN's annual meeting led to another round of profit downgradings, causing further weakness in the stock. The chairman said the company's trading results during the first four months of the year were "marginally" behind those of last year, with European markets weaker than anticipated.

Analysts who had reduced estimates only two weeks ago moved to make further cuts and the range of current year forecasts is now between £125m and £145m. The shares fell 7 to 436p after higher than average trade of 5.6m shares.

Worries about a dividend cut coupled by the negative sentiment in GKN combined to depress Lucas Industries and the shares eased 3 to 134p.

British Aerospace came off the day's lows to close 3 lighter at 331p, after Kleinwort Benson upgraded its 1994 profits forecast. Leaving its current year estimate at £125m, the securities house increased the following year's forecast by £20m to £200m citing improvements in the defence sector and at Rover, BAe's car making subsidiary.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Peter John, Joel Kibazo.

■ Other statistics, Page 19

Account Dealing Dates

*First Dealings:		
May 10	May 24	Jun 7
Option Declarations:		
May 20	Jun 3	Jun 17
Last Dealings:		
May 21	Jun 4	Jun 18
Account Day:		
Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (157).
CANADIANS (1) Gulf Can., BANKS (1) Anglo Irish, BLDG MATLS (7) Blockleys, Brit. Dredging, Hewelson, Lilleshall, Do 5pc Pf., Sheffield Instns., Wolseley, BUSINESS SERVS (3) BET, Page (M), Securiguard, CHEMS (1) Hickson, CONGLOMERATES (1) Wassall, CONTG & [illegible]

NEW LOWS [illegible]
AMERICANS (1) Houston, BREWERS (5) Allied-Lyons, Bass, Grand Met., Greenalls, Matthew Clark, Wolv. & Dudley, BLDG MATLS (1) St Gobain, BUSINESS SERVS (1) RCO, CHEMS (2) Anglo Utd., Courtaulds, CONTG & CONSTRCN (1) Andrew Sykes, FOOD MANUF (7) BSN, Bols Wessanen, Booker, Cadbury Schweppes, Tate & Lyle, Do 7¼pc Pf., Unilever, FOOD RETAILING (2) Argyll, Brit. Low (Wm), HEALTH & HSEHOLD (3) Brit. Bio-Tech., Haemocell, Reckitt & Colman 9½pc Cv Bd., INSCE BROKERS (1) Bradstock, INV TRUSTS (1) Kleinwort Endowment Policy, MISC (3) BAT Inds., Pentland, Toye, PROP (1) Moorfield, Ests., TRANSPORT (1) Transport Dev., MINES (1) MIM.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2819.7 -27.6	3149.0 -2.2	1393.51 -10.23

	May 19	Day's change %	May 18	May 17	May 14	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2819.7	-1.0	2847.3	2858.1	2847.0	2711.9	6.45	4.04	19.16	41.01
FT-SE Mid 250	3149.0	-0.1	3151.2	3145.0	3142.3	2825.8	5.95	3.70	21.53	34.52
FT-SE-A 350	1408.9	-0.8	1417.8	1421.4	1418.8	1333.3	6.35	3.96	19.54	19.33
FT-SE SmallCap	1603.10	—	1603.49	1600.98	1596.91	-	4.56	3.56	30.96	17.82
FT-SE SmallCap ex Inv Trusts	1614.00	—	1614.02	1611.05	1609.40	-	5.05	3.75	28.82	18.63
FT-A ALL-SHARE	1393.51	-0.7	1403.74	1407.06	1402.58	1318.33	6.24	3.94	20.10	18.92
1 CAPITAL GOODS(213)	982.80	-0.2	984.48	985.71	983.70	929.04	[illegible]	3.92	27.71	14.35
[illegible]										

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FINANCIAL TIMES EQUITY INDICES

	May 19	May 18	May 17	May 14	May 13	Year ago	*High	*Low
Ordinary share	2194.2	[illegible]	2224.9	2218.4	2215.5	2147.5	2299.5	2114.7
Ord. div. yield	4.25	4.21	4.18	4.19	4.20	4.32	4.52	4.07
Earning yld % full	6.13	6.08	6.19	6.21	6.22	6.37	6.38	5.78
P/E ratio net	20.05	20.24	19.96	19.88	19.85	19.65	22.04	19.40
P/E ratio nil	18.71	18.89	18.64	18.57	18.54	18.23	20.30	18.14
Gold Mines	185.6	165.6	168.8	165.1	161.5	111.9	185.6	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/5/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2217.8	2216.1	2213.1	2207.3	2205.3	2203.6	2198.5	2200.2	2192.7	2219.8	2192.6

Volume	May 19	May 18	May 17	May 14	May 13	Year ago
SEAQ Bargains	28,438	28,598	30,271	28,016	28,280	30,906
Equity Turnover(£m)†	-	1246.4	1023.2	1151.7	1572.4	1203.0
Equity Bargains†	-	33,158	34,793	31,116	33,502	34,504
Shares traded (ml)†	-	577.4	504.8	533.0	711.1	528.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

FADING hopes of a reduction in interest rates, together with poor economic data from both the US and the UK, led to aggressive selling of Footsie futures, writes Joel Kibazo.

The first trade in the June contract on the FT-SE 100 Index was struck at 2,859 and initially led to hopes of a strong buying session.

However, those hopes faded with the release of German money supply figures showing a sharp rise. Dealers took this as a signal of no cut in UK base rates and it triggered an aggressive wave of selling, led mainly by independent traders.

This increased with the release of worse than expected UK retail sales figures, and the continued fall led to the erosion of the premium by mid-session.

In the afternoon, dealers focused on the poor US budget deficit statistics, sending the contract lower in anticipation of a poor opening on Wall Street. Sporadic bargain hunting was seen in the late afternoon when New York opened firmer than anticipated.

June finished at 2,828, down 30 from its previous close and around 6 points ahead of its estimated fair value premium to cash of about 5.

Turnover was 11,201 at the official close.

Volume in the traded options was a hefty 41,096 lots, of which 13,017 contracts were in the FT-SE 100 option. Barclays was the busiest stock option with 1,445 lots.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾xd	—	20⅞	15½	15,326	2.3
Allegheny & W.	♥	584p	-21	605p	399p	303.5	3.2
Amdahl		332p	-20	591p	302¼p	372.8	0.9
Amer Cyanamid		33⅛	-⅛	38⅝	31¼	2,900	3.1
Amer Express		17½xd	+⅛	19½	14⅞	8,674	3.5
Amer T & T		37¾xd	+1¼	40⅝	33⅛	49,704	3.3
Ameritech		45⅝	-½	52¼	46	20,414	5.0
BankAmerica		28⅛xd	-⅜	30⅛	27¾	10,183	3.0
Bankers NY		45¼xd	—	61⅛	42⅝	3,646	4.7
Bell Atlantic		33½	-½	39⅝	32¼	14,802	5.0
BellSouth		33¼	-¼	38⅞	32⅞	16,425	5.3
Bethlehem Steel	♥	13⅛xd	-⅛	13¾	10	1,187	-
Bowater		1394pxd	-5	1682p	1335p	905.1	1.8
CPC		28⅛xd	-⅛	34⅝	26	4,250	2.9
Cadiz Land Inc	♥	77½p	—	115p	53p	-	-
California Engy		1358p	—	1479p	1086p	247.2	-
Chase Manhattan		19⅝xd	+⅛	24½	17⅞	2,946	4.0
Chrysler		27⅝xd	-⅜	28⅞	21¼	6,909	1.4
Citicorp		17¾xd	+⅛	20⅛	13¾	6,557	-
Colgate-Palm		37¾xd	-¾	45⅝	35¼	8,057	2.1
Cont'l Bank		1508p	+11	1677p	1278p	1,523	2.5
Dana		31⅜xd	-⅞	34⅛	29⅞	1,449	3.2
Data General		685p	+2	951p	593p	183.5	-
Decora Inds	♥	138p	—	148p	109p	-	-
Dun & Brad		38⅛	-⅛	42⅝	37⅛	6,795	4.1
Eaton		54	-2	59⅝	50⅝	1,872	2.6
Echlin		16⅞xd	-⅛	18⅞	15⅛	942.1	2.7
FPL		24½xd	-⅛	27⅛	23¼	4,451	6.4
Ford Motor		34⅝xd	-1¼	38⅛	28⅞	16,901	1.8
Gen Elect		59¾xd	-1⅛	62⅛	53⅝	51,189	2.7
General Host	♥	592p	+3	723p	556p	-	3.8
Gillette		33¾xd	+⅛	42⅝	31½	7,457	1.6
Hasbro		20⅞	—	30⅝	20⅞	1,819	0.7
Honeywell		23¾xd	+⅞	24½	20¾	3,194	2.4
Houston Inds		28¼	-½	33⅛	28¼	3,658	6.7
Ingersoll-Rand		21¾xd	—	25	19⅞	2,278	2.0
Lockheed		40½	-½	42⅝	35⅛	2,485	3.3
Lowe's	h	2302p	+3	2339p	1572p	1,679	0.8
Merrill Lynch		44⅞xd	—	50⅛	37	4,611	1.7
Morgan (JP)		42⅞xd	-¼	48½	38⅛	8,167	3.5
Morris (Philip)		32⅞xd	-⅛	52⅞	28¾	30,240	3.3
NYNEX		53⅛	-⅜	64⅛	53	10,972	5.5
Pall		12½xd	-¼	15	11	1,433	1.6
Pennzoil		42xd	-⅛	43⅛	31¾	1,711	4.6
Quaker Oats		46⅜xd	+⅞	48⅛	33⅞	3,343	2.6
Rockwell		20¾xd	-⅜	22¾	18⅛	4,551	3.0
Rep NY		31⅞xd	-⅛	37⅛	29⅛	1,655	2.1
Sears, Roebuck		34⅝xd	—	37⅛	28⅞	11,955	2.9
Sthwestern Bell		48½	-⅛	52½	46⅛	14,543	3.8
Sun Co		16⅞xd	-⅛	21⅛	14⅞	1,720	7.0
Tenneco		31¼xd	-1⅛	33½	25½	6,273	3.2
Texaco		41⅛xd	-⅛	44¼	37⅞	10,721	4.9
Time Warner	h	23xd	+⅛	25⅛	18⅝	8,545	0.8
Unitab	♥	388p	-4	450p	358p	177.1	-
US West		27	+⅞	30¼	24⅞	11,190	5.0
Varity		1994p	-18	2280p	1625p	603.0	-
Waste Manage		20⅞xd	+⅛	27⅛	19¾	10,054	1.8
Whirlpool		3461pxd	-97	3720p	2824p	2,419	2.2
Woolworth	♥	18⅝	-⅛	21½	18⅛	2,476	3.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	‡◊□	195	-1	201	183	3.0	231.4	15.9
Warrants	□	44½	—	49	38	–	–	–
Scot Mortgage	‡◊□	189	-1	201	178	2.7	219.5	13.9
Scot National Inc	‡◊□	90½	-1	99½	83	10.6	–	–
Cap	□	23	—	25	16	–	55.2	58.3
Stepped Pf		161¼	+½	159¼	150¼	6.9	–	–
Zero Div Pf		209	—	212	207	–	–	–
Warrants		3½	—	5	3	–	–	–
Scot Value	†a□	78	-½	79¼	71	2.8	78.6	0.8
Sec Alliance	‡†	1434	-2	1503	1390	3.2	1582.8	9.4
Second Consid	□	126	+3	126	88	–	187.5	33.1
Second Market	‡a	322	—	326	256	0.8	347.8	7.5
Sec Tst Scot	‡□	80¼xd	-½	84½	74½	6.1	82.2	2.4
Select Assets	□	121	—	130	109½	1.2	165.2	26.8
Eq Ind Serl		131	+1	134	128	4.1	–	–
Eq Ind Serll		131	+1	134	126	4.1	–	–
SHIRESCOT	‡H	122	—	123	104	5.4	123.4	1.1
Shires	‡	255	-1	262	231	9.9	247.4	-3.1
11pc Cv Ln '03/04		£128	—	£131½	£115½	8.7	–	–
Siam Select		128	—	139	97	0.2	149.5	14.4
Warrants		35	—	38	15	–	–	–
Smaller Cos	□	118	—	111	78	3.0	114.2	4.1
Warrants		32	—	33	14			
Sphere Inc	□	[illegible]						

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

... payment. ... prospectus or other official estimates for 1992-93 ... f Indicated dividend yield, p/e ratio based on latest annual earnings. ... u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings ... L Estimated annualised yield, p/e based on latest annual earnings. ... ¶ Yield based on prospectus or other ...

Abbreviations: ɑ ex dividend; ɑc ex scrip issue; ɑr ex rights; ɑa ex all; ɑd ex capital distribution.

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (+) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1000)F

Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Life Tst Mngmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1400)F

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds In Court*

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT-Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capitol Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	227.7		-0.7	-
US Alpha	116.2		-1.4	-
Gilt Alpha	84.7		-	-
Gold Alpha	92.5		+4.8	-
Japan Alpha	43.5		-	-
US Dollar Alpha	73.4		-0.9	-
Yen Alpha	76.8		-1.2	-
DM Alpha	89.9		-0.6	-
European Alpha	83.8		-0.2	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707
Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Fund	155.9		-0.4	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	410.6	432.2	-1.8	-
Managed Ind	291.1	306.4	-1.4	-
Equity Ord	616.1	648.5	-4.1	-
Equity Ind	436.8	459.8	-2.8	-
Index Linked Gilt Ord	191.9	202.0	+0.4	-
Index Linked Gilt Ind	142.1	149.6	+0.3	-
Overseas Equity Ord	326.5	343.7	-1.4	-
Overseas Equity Ind	231.5	243.7	-1	-
Property Ord	325.1	336.9	+0.1	-
Property Ind	159.6	168.0		-
Fixed Interest Ord	256.6	270.1	+0.5	-

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323
Life Funds (First Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	395.8	416.6	-2.20	-
Equity	496.2	522.4	-3.50	-
Property	239.4	252.0	-	-
International	386.5	406.9	-2.10	-
Japanese	112.3	118.3	+0.70	-
Asia Pacific	135.3	142.5	-2.10	-
European	105.9	111.5	-0.80	-
American	134.7	141.8	-1.80	-
Fixed Interest	333.1	350.7	+1.90	-
Index-Linked Gilt	182.9	192.2	+0.40	-
Cash	219.4	231.0	-	-

Life Funds (Second Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	110.2	116.0	-0.60	-
Equity	106.6	112.3	-0.70	-
Property	100.6	105.9	-	-
International	119.5	125.8	-0.60	-
Japanese	112.5	118.5	+0.70	-
Asia Pacific	[illegible]	139.7	-2.00	-
European	[illegible]	110.5	-0.80	-
American	[illegible]	138.5	-1.80	-
Fixed Interest	[illegible]	131.8	+0.70	-
Index-Linked Gilt	116.7	122.9	+0.30	-
Cash	108.8	114.6	-	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	172.8	181.9	-	-
Managed (Ind)	228.8	240.7	-2.00	-

Sun Alliance Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fram America Turnaround	155.8	164.0	-1.3	-
Fram Capital Tst	148.0	155.8	+0.1	-
Fram Intl Growth	159.0	167.4	-0.5	-
Fram Japan & General	218.9	228.4	+1.8	-
Fram Recovery Tst	219.2	230.8	-1.2	-
GT Special Mngd	147.1	154.9	-0.2	-
GT Amer Spec Sits	167.0	175.8	-1.6	-
GT Capital	176.8	186.2	-0.2	-
GT European	129.2	136.0	-0.6	-
GT Far East & Gen	168.5	177.4	-1.1	-
GT International	140.2	147.6	+0.2	-
GT Japan & General	128.2	135.0	-3.0	-
GT US & General	188.8	198.8	-1.1	-
Guardian Intl	97.30	102.5	-0.6	-

Broker Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Bankbond	99.60	104.8	-0.2	-
Bankbond Conservative	97.60	102.7	-0.1	-
EBS Deposit	108.9	114.7	-	-
EBS Equity	116.6	122.8	-0.7	-
EBS Managed	398.9	419.9	-1.2	-
I.A.S. Pens	248.4	261.5	-0.1	-
Radcliffe Trustee Pens	145.8	153.5	-0.1	-

Phoenix Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Wealth Assured	559.2	588.6	-1.8	-
Ebor Phoenix Eqty	430.0	459.7	-	-

Phoenix Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Special Mnged	243.2	256.0	-1.2	-
Building Society	233.6	245.8	+0.2	-

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	$1/4	$-	15.73	18.65	+0.01	4.62
Sterling Bond	5¼	£-	9.795	10.13	+0.02	7.65
Sterling Cap		£-	42.34	42.36	+0.01	5.73
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						
TSB Offshore Investment Fund Ltd 0534 73494						
Stg Deposit Class	3	101.92	101.92	104.98	+0.01	5.00
Gilt & Fixed Interest	5	119.09	118.08	120.35	+0.13	7.60
Blue Chip & Gilt Edged	5	59.44	60.07	63.23	+0.57	3.01
International Bond	5	132.23	132.23	139.19	-0.99	3.10
UK Equity	5	249.30	252.49	266.83	+0.56	1.90
International Equity	5	171.01	173.41	182.54	-1.47	0.30
Far Eastern	5	157.67	160.78	169.25	-2.01	0.00
European	5	121.12	121.78	128.19	-0.09	0.00
Pan American	5	319.45	322.43	339.40	-2.04	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	104.98	104.98	108.48	+0.25	7.75
Monthly Share	3	103.60	103.60	108.86	+0.25	7.85

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$9.379	9.871	-0.378	0.0
Hong Kong	$29.800	31.049	-0.151	0.4
Indonesia	$9.618	10.122	+0.332	0.0
Korea	$11.177	11.765	+0.153	0.0
Malaysia	$18.415	19.384	+0.209	0.0
Philippines	$17.187	18.088	-0.463	0.5
Singapore	$12.944	13.625	+0.027	0.0
Thailand	$20.414	21.488	-0.260	0.0
South East Asia	$25.537	26.881	+0.078	0.0
US Dollar Liquidity	$9.580	10.037	+0.001	0.0
Cater Allen Investment Management (CI)				
CA Gilt Income	25.85	6.12	—	16.34
CA Equity Gwth	24.66	8.08	—	2.16
Citibank (CI) Ltd "Citifunds"				
Short term Investment Funds				
Irish £ May 20	134.9213		+0.300	—
Equity Funds				
Japan Equity May 20	99.7291		-0.070	—
US Em Gwth May 17	$21.0633		-0.198	—
US Em Tech May 17	$24.8232		+0.188	—
Citicare May 17	$32.3457		-0.300	—
Bond Funds				

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 494344						
Equity Funds						
European Equity	5¼	£-	0.886	0.858	-0.004	0.2
Intl Equity	5¼	£-	1.332	1.481	-0.007	0.5
North Am Eqty	5¼	$-	33.50	35.72	-0.030	0.3
Pacific Eq	4¼	£-	6.224	0.658	-0.003	0.5
UK Equity	5¼	£-	1.089	1.168	-0.003	2.9
Bond Fund						
International Bond	3½	$-	97.95	102.45	-0.040	6.5
CMI Asset Management (Luxembourg) SA						
203 Route d'Arlon, L-1150 Lux 010 352 453825						
CMI Managed Portfolio Investment Company (z)						
Safeguard Portfolio F		£-	1.227	1.307	-0.008	—
Growth Portfolio F		£-	1.099	1.170	-0.003	—
Enterprise Portfolio F		£-	1.054	1.123	-0.003	—
CMI Global Network Fund (z)						
Australasian Equity		A$-	12.659		-0.146	—
Benelux Equity		DM-	21.007		-0.075	—
Canadian Equity		C$-	9.978		+0.115	—
SE Asia Equity		$-	13.428		+0.005	0.86
French Equity		FFr-	58.202		-0.335	0.94
German Equity		DM-	17.883		-0.052	—
Iberian Equity		Pta-	743		—	0.01
Irish Equity		I£-	4.304		-0.024	—
Italian Equity		L-	7982		+68	—
Japanese Equity		Y-	1382		+19	—
Nordic Equity		Skr-	45.230		+0.104	—
Swiss Equity		SFr-	20.195		+0.127	—
UK Equity		£-	6.528		-0.061	1.11
US Equity		$-	13.068		-0.031	0.95
Japan Index Tracking		Y-	901		+6	—
UK Eqty Index Tracking		£-	6.184		-0.046	2.23
US Eqty Index Tracking		$-	12.171		-0.148	1.16
German Bond		DM-	23.284		-0.020	6.17
Japanese Bond		Y-	1625		-19	4.22
Swiss Bond		SFr-	22.327		-0.013	4.39
UK Bond		£-	8.239		-0.005	8.11
US Bond		$-	11.801		-0.144	6.07
Stlg Currency Reserve		£-	5.0520		+0.001	7.15
US Dlr Currency Reserve		$-	10.0406		+0.002	2.08
Commercial Union Luxembourg SA (z)						
41 Ave de la Gare L-1611 010 352 402020061						
Commercial Union Privilege Portfolio						
Equity Funds						
Monthly Income		£-	1.0751	1.1437	—	8.0
Private Client Mgd		£-	1.1833	1.2588		—
Far Eastern Gwth		$-	2.0311	2.1607	+0.025	—
American Gwth		$-	2.2738	2.4189	-0.001	—
European Gwth		Ecu-	1.8310	1.9479	-0.007	—
Japanese Gwth		Y-	145	154	+1	—

Jupiter Tyndall Global Fund

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund

Latin American Mngmt Group Ltd

Liberty ALL-STAR World Portfolio

Lloyds Bank Luxembourg

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Questions raised on D-Mark

THE D-MARK's weakness in the wake of Denmark's ratification of the Maastricht treaty was the dominant issue in foreign exchange markets yesterday, raising speculation that the German currency is on the verge of a sharp move downwards, *writes James Blitz.*

Dealers continued to unwind long D-Mark positions in the wake of the Yes vote in Denmark, pushing the German currency to a historic low against the Japanese yen, and helping sterling to break through the DM2.50 barrier for only the second time this year.

New-found confidence in European monetary union was always bound to weaken the German currency, which investors had used as a vehicle for hedging against another crisis in the exchange rate mechanism.

But the surprising aspect of the German currency's weakness yesterday was that it came on a day when the Bundesbank left interest rates unchanged. This was contrary to the expectations of many dealers, who had priced a ¼ percentage point cut in the discount rate into their operations.

The yen closed at Y68.04 against the D-Mark from a previous Y68.65, while sterling closed up 1¾ pfennigs at DM2.5025 in spite of retail sales figures which raised speculation about a a cut in UK base rates this autumn.

There were other hints that the D-Mark's role in fund managers' portfolios was being re-assessed.

A rise in German bond yields to 6.85 per cent implied that there were sharp flows out of the German currency. Some analysts suggested that zero spreads between French and German bonds were not inconceivable.

The dollar managed to hold steadily against the German currency, despite a day which brought the worst US trade data in four years. The March trade deficit ballooned by 29 per cent to $10.2bn, and the deficit with Japan leaped to a 5-year peak. However, the dollar closed in London virtually unchanged at DM1.6235.

The German currency gained no strength against the Dutch guilder, despite a 10 basis point cut in the Dutch central bank's advances rate. At the close of trading in the exchange rate mechanism, the guilder was 48 basis points above the D-Mark in the currency grid, almost touching the self-imposed limit of 50 basis points set by the Dutch authorities.

Poorer than expected figures for German M3 money supply growth were a strong factor behind bearishness towards the currency. On an annualised basis, Germany's M3 money supply grew 7.3 per cent in April compared to 3.4 per cent in March.

However, Mr Steve Hannah of IBJ International in London said there was a clear message in yesterday's events that the D-Mark was weakening. "We may be beginning to see an acceleration of a malaise that will characterise the D-Mark for the rest of this year," he said.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.115	-3.49	4.58	59
Spanish Peseta	154.250	149.234	-3.25	4.30	57
Irish Punt	0.809628	0.801790	-0.85	1.77	43
Dutch Guilder	2.19672	2.19319	-0.16	1.07	13
Belgian Franc	40.2123	40.2072	-0.01	0.92	6
D-Mark	1.94964	1.95576	0.31	0.59	-13
French Franc	6.53883	6.59513	0.86	0.05	-42
Danish Krone	7.43679	7.50449	0.91	0.00	-37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

May 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5335 - 1.5475	1.5410 - 1.5420	0.40-0.32cpm	3.04	1.11-1.08pm	2.84
Canada	1.9395 - 1.9585	1.9505 - 1.9510	0.30-0.22cpm	1.60	0.57-0.46pm	1.06

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	-	-	-	0.02	0.59	-
117	0.37	0.98	-	0.10	0.99	-
118	0.04	0.54	0.82	0.77	1.54	-
119	0.01	0.27	0.48	-	-	-
120	-	0.12	-	-	-	-
Open Int	141,258	99,845	22,256	186,683	29,433	13,117

Estimated volume 31,585 † Total Open Interest 543,392
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

Euromarks fall back

GERMAN interest rate futures fell sharply yesterday after Germany's latest money supply figures appeared to be a good deal worse than expected and the Bundesbank decided not to cut its short term interest rates, *writes James Blitz.*

It was announced first thing yesterday morning that, on an annualised basis, Germany's M3 money supply had grown 7.3 per cent in April compared to 3.4 per cent in March.

UK clearing bank base lending rate 6 per cent from January 26,1993

The headline figure was worse than dealers had expected, leapfrogging over the Bundesbank's target band of 4.5 per cent to 6.5 per cent annualised monetary growth.

Some analysts suggested that the underlying monetary growth may not have been as bad as the headline figure indicated. The higher growth did not reflect increased private sector or bank lending, but lower long term savings and increased lending to public authorities, both of which are said to be rather erratic variables.

"This figure would actually encourage an interest rate cut, not postpone one," said Miss Alison Cottrell, an analyst at Midland Global Markets in London.

But, in interest rate markets, the clear view was that the M3 figure was the precursor to a more cautious attitude to easing monetary policy by the Bundesbank.

In the early morning, the June and September Euromark contracts fell back by 10 and 11 basis points respectively, bottoming out at 92.77 and 93.54.

The Bundesbank later decided to keep its Lombard and discount rates unchanged, despite expectations earlier in the week of a modest cut in the official interest rate floor. Both contracts remained at these low levels at the close.

Sterling futures markets were a good deal more bullish about a rate cut, following another good performance by the pound on the foreign exchanges and a poorer-than-expected retail sales figure, which implied that the UK authorities may still need to stimulate the economy.

The June short sterling contract rose 2 basis points on the day, but the September contract closed 11 basis points higher at 94.05.

In the cash market, 3-month money softened to around 6 per cent from a previous close of 6 1/16 per cent. There was a large shortage of £1.65bn forecast at the start of the day but it was swiftly despatched.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 19)	3 months US dollars		6 months US Dollars	
	bid 3 1/8	offer 3 1/4	bid 3 1/4	offer 3 3/8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.90	Three year	4.48
Broker loan rate	5	Two month	2.98	Five year	5.28
Fed.funds	2 15/16	Three month	3.05	Seven year	5.77
Fed.funds at intervention	3 1/16	Six month	3.18	10-year	6.14
		One year	3.39	30-year	7.05
		Two year	4.04		

May.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.90	7.55-7.65	7.40-7.55	7.25-7.40	6.95-7.10	8.50
Paris	8 1/16-8 3/16	7 3/4-7 7/8	-	7 9/16-7 7/16		7.75
Zurich	5-5 1/4	5 1/16-5 3/16	-	5-5 1/8	-	-
Amsterdam	7.87-8.00	7.65-7.90	-	7.52-7.57	-	-
Tokyo	3 1/8-3 3/16	-	-	-	-	-
Milan	10 7/8	10 1/2-10 7/16	-	10 1/2	-	-
Brussels	7 3/16-7 7/16	7 3/16-7 5/16	-	7 1/16-7 3/16	-	-
Dublin	7 3/4-7 7/8	7 3/4-7 7/8	7 3/4-7 7/8	7 1/2-7 5/8	7 3/8-7 1/2	-

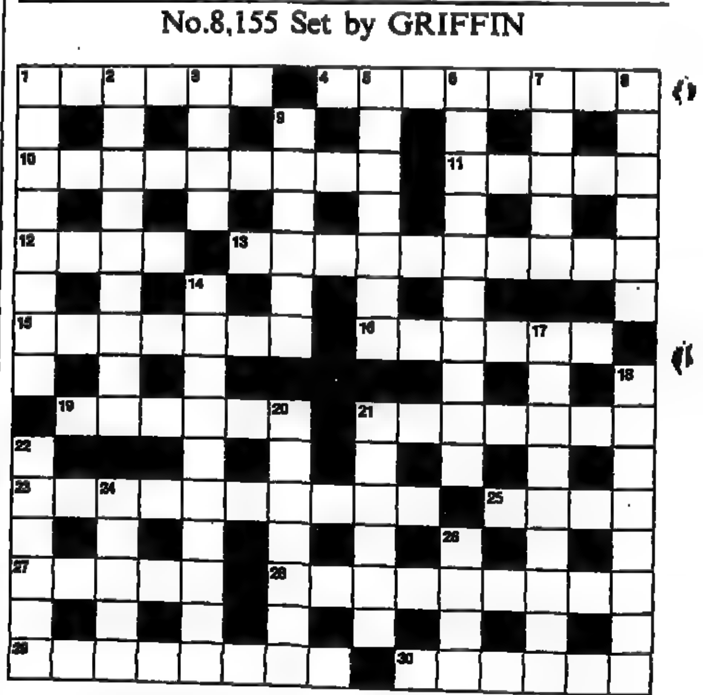
LONDON MONEY RATES

May 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7	6	6 1/16	6 1/16	6 1/8	6 1/4
Interbank Bid	5	5 3/4	5 15/16	5 15/16	6	6 1/8
Sterling CDs	-	-	5 31/32	5 31/32	5 31/32	6 1/16
Local Authority Deps.	6 1/4	6 1/8	6 1/8	6 1/8	6 1/16	6 1/8
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6 1/2	5 7/8	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6 1/16	6 1/16	6 1/32	6 1/16
Treasury Bills (Buy)	-	-	5 13/32	5 13/32	5 7/16	-
[illegible]						

[illegible]

CROSSWORD

No.8,155 Set by GRIFFIN



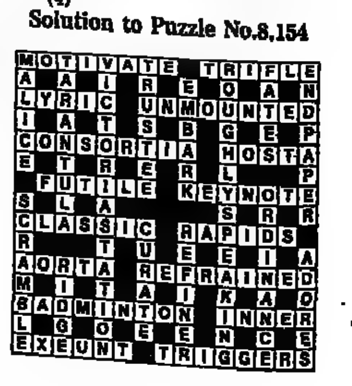
ACROSS

1 Way to hold long plastic envelope (6)
4 On board can boy back malicious rumours? (8)
10 Member is to cite broken truce (9)
11 Cat made row around midnight (5)
12 Approach Officer Griffin (4)
13 Beer with head on causes animosity! (10)
15 Time to get flat in Gateshead (7)
16 Withhold film certificate (6)
19 Couple chat at broadcast (6)
21 Pilot impounds American vessel (7)
23 Irene, a bull could be treacherous! (10)
25 Way no man gets a girl (4)
27 Live down under (5)
28 Slough lake I first spotted? (9)
29 Jeering journalist rejected poor Ingrid (8)
30 Keeps one dry by giving wind protection (6)

DOWN

1 Hunted for mischievous children outside (8)
2 Spiteful woman taking fellow's dairy product (9)
3 Stay topless and relax (4)
5 Many less burnt made a fuss (7)
6 On upturned cask put biscuit for bird (10)
7 Ancient invader's point of view (5)
8 Force top security lock (6)
9 Travelling band I'd introduced (6)
14 Silly old Al is married but refused (10)
17 Pole cooked them meal without cheese (9)
18 Takes day to stop heartless lady being amicable! (8)
20 Listen to a number and cheer (7)
21 Passionate insult Ryan suppresses (6)
22 Shoot up to bed when called (6)
24 Redhead heard you left Elizabeth a sovereign (5)
26 Support for each one accepted (4)

Solution to Puzzle No.8,154



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WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close May 19

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close May 19

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

TOKYO - Most Active Stocks

Wednesday, May 19, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mt Mn	20.0m	1,160	+50	Takuma	4.3m	1,400	+70
Shionogi	10.5m	1,150	+60	Kaken Pharm	4.2m	1,670	+90
JGC Corp	8.6m	2,530	+100	Ricoh	4.2m	733	+32
Meiji Milk	7.4m	1,120	+50	Mitsui Mn & Sm	3.8m	558	+15
Mitsubishi Hvy	5.1m	706		Nippon Zeon	3.7m	694	+24

4 pm close May 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.4	26	412	14½	14	14¼	-⅛
27½	20	A L Labs A	0.18	0.7	48	535	26⅜	25⅝	26¼	+⅛
63½	54⅝	AMP Inc	1.60	2.6	22	5180	61½	60	61⅞	+¼
71⅞	55½	AMR			11	20597	u72⅝	70	71¾	+1⅞
2¼	1¾	ARX			13	52	2⅛	2	2⅛	+⅛
51¼	29⅞	ASA	2.00	4.2	31	3155	u51½	47½	48	-2½
30¼	22⅝	Abbott Lab	0.68	2.4	18	14456	29½	27⅝	29⅛	
12⅝	10¼	Abitibi Pr	0.50	4.2	4	10	12⅛	12	12	
11¾	10¾	ACM Gvt In	0.98	8.3		327	u11¾	11⅝	11⅝	
9¾	9½	ACM GvOpp	0.80	8.4		198	9⅝	9⅜	9½	
9⅝	8¾	ACM Gvt So	0.80	8.4		298	9½	9⅜	9½	
11⅜	10½	ACM Gvt Se	0.96	8.5		494	u11⅜	11¼	11¼	
11	9⅝	ACM Man	1.08	9.9		197	u11	10⅞	10⅞	
9⅜	8⅝	ACM Managd	0.72	8.0		276	9⅛	9	9	-⅛
10	7¾	Acme Cleve	0.40	4.0	13	353	u10⅛	10	10⅛	+⅛
9¼	6½	Acme Elect			233	46	7¼	7	7	-¼
16	12	Acuson			14	725	12¾	12½	12¾	+¼
22¼	19⅝	Adams Expr x	0.48	2.3	1	37	21	20¾	21	+¼
66	45½	Ad Micro	3.00	4.9		593	60⅝	58⅜	60⅝	+1⅞
32¾	17⅝	Ad Micro P	3.00	10.3	12	16062	29⅝	28	29⅛	+⅝
7¾	5½	Advest Grp	0.16	2.7	10	135	6⅛	5⅞	6	-⅛
24¾	21	Advo Inc	0.06	0.3	23	511	21⅜	21⅛	21¼	-⅛
49⅜	41½	Aegon ADR	2.95	6.5	8	30	45⅞	45⅛	45¾	+¼
54⅛	43⅞	Aetna Lf	2.76	5.0	136	2681	u54⅞	53	54⅞	+1¼
14½	11½	AHM A x	0.26	2.1	28	1229	12½	11¾	12⅛	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A - (continued), - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -

[illegible]

Continued on next page

4 pm close May 19

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.38	7.4	20	103	18⅞	18¾	18⅞	
20¾	17	SCOR US Cp	0.32	1.8	223	115	18	17⅞	17⅞	
27⅞	20	SPS Techno	1.28	4.7	30	59	u27½	27⅛	27½	-¼
14½	12⅞	Sabine Rt	1.33	9.5	10	19	14⅛	14	14	+¼
13⅛	8⅞	Safecard	0.10	0.8	16	304	12½	12⅜	12⅜	
23½	17	Safeg'd Sc			8	74	17¾	d16⅞	17	-⅞
24¾	16¼	SafetyKln	0.38	2.0	24	1251	17⅝	17¼	17⅝	
15⅞	10⅞	Safeway			25	2838	16	15½	15⅞	+⅛
3⅞	2	SafewayWt96				226	u3½	3¼	3½	+⅛
44½	37½	StJoePaper	0.20	0.6	92	19	39	39	39	
37⅝	31	StJosLP	1.76	4.7	15	24	37½	37¼	37½	+¼
83¼	75	St Paul's	2.80	3.5	12	1228	80¼	78⅞	80¼	+½
9⅝	7⅞	Salant Crp			4	2	8½	8½	8½	
75¼	42½	SallieMae	1.20	2.5	10	5488	47⅞	46¾	47¼	+⅞
13⅞	13	Salomon Br	0.36	2.7		972	13½	13¼	13½	+⅛
41⅞	34½	SalomonInc	0.64	1.8	18	8034	35¼	d34	34⅝	-⅜
26⅞	23¼	SanDgo G&E	1.49	5.8	14	1023	25⅝	24⅞	25⅝	+⅞
4⅞	3½	SantaFeEDu	0.40	10.3	193	28	3⅞	3¾	3⅞	+⅛
11⅞	8⅛	SantaFeEnt	0.16	1.4	112	823	11¼	11	11⅛	-¼
40¾	35¾	SantaFePac	2.80	7.4	13	68	38⅛	37¾	38	+⅛
18	12¾	SantaFeStn	0.10	0.6	19	9580	17⅝	17	17⅛	+¼
31⅛	23⅞	Sara Lee	0.58	2.2	20	7028	26⅞	25	26¾	+1⅛
47	40⅛	Scana Corp	2.74	6.0	15	515	45½	45⅛	45½	+¼
49⅝	43	Scecorp	2.80	5.9	14	2827	47¾	46½	47¾	+1
36⅞	23⅞	SchererRP			22	745	27¼	26	26½	+¼
68½	51¾	ScheringPl	1.80	2.7	17	5097	67½	66⅛	67¼	+¾
65⅞	55⅞	Sch'berger	1.20	1.9	24	4146	64⅞	63	64½	-⅞
39	24⅞	Schwab(C)	0.30	0.9	14	1773	33	31¼	33	+1¾
7¾	5⅝	Schwitzer								

NASDAQ NATIONAL MARKET

4 pm close May 19

AMEX COMPOSITE PRICES

4 pm close May 19

AMERICA

Dow improves slightly from sharp decline

Wall Street

AFTER falling sharply in early trading yesterday, US share prices recovered to stand slightly lower at the halfway stage, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.30 lower at 3,436.09. The more broadly based Standard & Poor's 500 was down 0.81 at 439.51, while the Amex composite was 0.02 lower at 428.20, and the Nasdaq composite up 1.97 at 682.75. Trading volume on the NYSE was 173m shares by 1 pm, and declines outnumbered rises by 1,126 to 647.

Prices fell sharply in the first few hours of trading in the wake of another rise in bond yields, which on Tuesday broke through the 7 per cent barrier for the first time in more than a month.

Although inflationary fears were again behind the fall in bond prices, news of stronger than expected imports in the April merchandise trade report also contributed to the selling of longer-dated Treasuries.

The declines were exacerbated by activity in the futures market, where the S&P 500 stock index futures contract fell through a technical support level, triggering selling in both the futures and the underlying cash markets.

At one stage during mid-morning the Dow was down almost 30 points. Once the futures-related selling was over, however, equities began to recover, and they were aided by a rally in bond prices, which brought the benchmark 30-year bond off its lows for the morning session.

Among individual sectors, gold stocks lost some of their lustre as profit-takers moved in following recent gains.

Newmont Mining fell $1¼ to $51¾, Battle Mountain Gold fell $¼ to $9¼ in volume of 2.7m shares – the heaviest traded issue in the market – and Homestake Mining gave up $¾ at $18⅛.

Motor stocks also came under selling pressure. Ford fell sharply for the second consecutive day, dropping another $2⅛ to $51⅝, and undermined by the news that brokerage house Merrill Lynch had lowered its intermediate-term rating on the stock.

Elsewhere in the sector Chrysler slipped $⅝ to $42⅛ and General Motors fell $¾ to $38⅛, both in heavy trading.

Hewlett-Packard, which posted surprisingly strong quarterly earnings on Tuesday, continued to climb, adding $⅝ at $85 in volume of 1m shares.

On the Nasdaq market, Microsoft jumped $2 to $90⅝ in volume of 2.5m shares after two broking firms upgraded the stock.

Canada

TORONTO turned lower by midday as investors awaited details of the Ontario budget which was being announced after the market closed.

At noon, the TSE-300 index was 21.45 lower at 3,805.40 in volume of 47m shares. Among golds, Placer Dome shed C$⅜ to C$22⅜ but among firmer resources issues Breakwater added 2 cents to 30 cents.

SOUTH AFRICA

JOHANNESBURG'S gold share market racked up one of its biggest ever daily gains, the sector index ending 213, or 13.3 per cent, higher at 1,817 after an intraday peak of 1,938 as bullion broke through the $370 and $380 an ounce resistance levels on speculative and investment fund buying.

The overall index finished 11 ahead at 3,984 and industrials 24 better at 4,494. Marginal gold mines showed the sharpest rises, with Doorns jumping 140 cents, or 37 per cent, to R5.20 before closing 130 cents up at R5.10.

EUROPE

Bourses switch into reverse in late trading

EARLY improvement on the Danish Maastricht vote was eroded yesterday as bourses reviewed unexpectedly high money supply growth in Germany, and the absence of interest rate cuts at the Bundesbank meeting.

The Eurotrack index produced an intraday switch into reverse, the trend apparently confirmed by a weak start on Wall Street, *writes Our Markets Staff.*

MILAN was in optimistic mood and a broadly-based rally took the Comit index up 14.30 or 2.6 per cent to a 21 month high of 558.49.

A half point fall in Italy's minimum repurchase rate to 10.50 per cent, the lowest since November 1991, was seen as setting the stage for a discount rate cut of at least half a percentage point, possibly after the government approves a L13 trillion package of deficit cuts in the next few days.

Mr Marco Ortelli of Akros Sim in Milan noted strong foreign demand, particularly for the telecommunications sector. At the same time, domestic funds were reluctant to sell since the Comit's breach of the 550 level opened the way for a technical rally to around 580, he said.

Fiat remained volatile, fixing L373 or 5.9 per cent higher at L6,700 but easing to L6,600. Generali added L1,155 or 3 per cent to L38,650 before L38,550 after-hours and Mediobanca was L799 or 4.8 per cent higher at L17,199 as foreign funds increased their weighting of the Italian market.

Olivetti rose L61 or 4.5 per cent to L1,410 before L1,420 on the kerb in continued response to Monday's rights issue, while Parmalat added L676 or 4.3 per cent to L16,437 on further consideration of its rights issue terms.

ZURICH edged forward to a third consecutive record close, ahead of today's Ascension Day holiday which marks the start of a long weekend away for many investors. The SMI index added 0.1 to 2,227.0, continuing to take a lead from the strong dollar.

The market began firmly, as positions were squared ahead of tomorrow's expiry of futures and options on Soffex, but prices eased back from their best levels later.

Holderbank bearers added SFr17 to SFr656 in active trade ahead of presentations to analysts next Monday and amid optimism at the outlook for first quarter results.

Winterthur certificates shed SFr7 to SFr614 on further consideration of plans to swap its certificates into registered shares after splitting registered shares and bearers on a five for one basis. The registered shares shed SFr40 to SFr3,060.

FRANKFURT's financials reflected its fiscal disappointments, Allianz falling DM23 to DM2,099, Deutsche Bank by DM5.50 to DM691 and Dresdner DM5 to DM369 as the DAX index closed 11.07 lower at 1,617.41.

Turnover declined from DM5.7bn to DM5.1bn. Deutsche Bank lost ground although it reported full group operating profits up about 20 per cent in the first four months of 1993, compared to one third of last year's total, and mooted a higher dividend this year.

Elsewhere there was activity, mostly bearish, in consumer stocks where Douglas, the upmarket retailer of perfumes and toiletries, fell DM17.50 to DM480 and Escada, the fashion group, dropped DM18 to DM220 after reporting a first half loss.

Mr Adrian Hopkinson of NatWest Securities thought that Douglas might reflect difficulties reported in luxury products at Wella yesterday. Ironically, Wella rose DM17 to DM719 as it forecast another drop in raw material costs this year, after a fall of 7 per cent helped margins in 1992.

AMSTERDAM fell back sharply in reaction to the German M3 data, a weak opening on Wall Street and options activity. The CBS Tendency index lost 2.1 or 2 per cent to 104.2.

Unilever and Heineken were among the day's biggest losers, both falling Fl 2.60 to Fl 190.60 and Fl 178.80 respectively. Heineken has been falling recently partly on speculation about possible losses at the Spanish brewer in which it holds a 50 per cent stake.

PARIS, on the last day of the account, saw high turnover which was swelled by a number of block trades crossing the market during the session. The CAC-40 index, which had earlier seen a day's high of 1,853, finished down 9.62 at 1,836.78 in turnover of some FFr4.8bn.

One of the day's biggest losers was Michelin, down FFr5.60 or 3.8 per cent at FFr141.50, while BSN managed a modest FFr1 rise to FFr864 following Tuesday's fall after it announced plans to cut prices on some of its products.

MADRID hit another downgrade in its erratic, post-devaluation career, the general index closing 1.70 lower at 255.19.

STOCKHOLM added options-related selling in Astra A, down SKr12 to SKr730 after an initial jump of of SKr18 to SKr760, as the Affärsvärlden General index fell 6.7 to 1,076.5.

COPENHAGEN lost much of its early gains as the detail of tax reform plans took over from the Maastricht vote. The KFX index closed 0.22 up at 87.09 in turnover of DKr1.1bn.

HELSINKI was stronger after a threatened strike in the country's export sector was called off. The HEX index gained 32.5 or 2.7 per cent to 1,217.2 in turnover of FM230m.

FT-SE Actuaries Share Indices

May 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1154.22	1154.27	1154.36	1152.91	1152.28	1149.55	1148.78	1147.97
FT-SE Eurotrack 200	1220.09	1218.68	1217.84	1216.45	1215.91	1211.61	1213.10	1212.27

	May 18	May 17	May 14	May 13	May 12
FT-SE Eurotrack 100	1152.98	1146.07	1148.21	1155.16	1148.06
FT-SE Eurotrack 200	1217.75	1214.06	1212.97	1219.59	1215.04

Base value 1000 (26/10/90) High/day: 100 - 1155.85; 200 - 1221.05 Low/day: 100 - 1147.60 200 - 1211.58.

ASIA PACIFIC

Nikkei shows mild recovery amid bargain hunting

Tokyo

INDEX futures sales were outweighed by bargain hunting, government buy orders and short-covering, and the Nikkei average closed at its intraday high in light trading, *writes Wayne Aponte in Tokyo.*

The Nikkei ended 151.40 firmer at 20,380.79, after a session low of 20,128.70. The Topix index of all first section stocks appreciated 8.68 to 1,597.96. In London the ISE/Nikkei 50 index eased 0.56 to 1,229.16.

Volume on the first section of the Tokyo Stock Exchange was 380m shares, barely changed from the previous day. Advances outnumbered declines by 595 to 423, with 167 issues unchanged.

Brokers said investors had been waiting for a possible retreat below the 20,000 level. But once the 225-issue average maintained its ground, buyers entered the market at the lower end of its range.

An analyst at a Japanese brokerage said domestic institutional investors dominated the day's activity, with international investors taking light profits. Equity prices, he added, are expected to trade within a narrow range until market participants have digested recent company results and forecasts.

Investors focused on issues with good earnings for the financial year to March 1993. JGC, the engineering company, rose Y100 to Y2,330 following its better than expected results.

Takuma, the boilermaker, advanced Y70 to Y1,400 as market participants speculated that its earnings will reach peak levels.

The non-ferrous metals sector rose in tandem with gold prices in overnight trading in New York. Sumitomo Metal Mining, the day's most active issue, climbed Y50 to Y1,160, Mitsubishi Mining and Smelting Y13 to Y558 and Mitsubishi Material Y3 to Y525.

Some real estate issues advanced after the Japan High Rise Condominiums Association estimated that condominium sales would increase by more than 50 per cent this current fiscal year. Daikyo put on Y40 at Y1,320 and Nichimo Y2 at Y557.

However, Honda, which announced a 32 per cent decline in pre-tax profits, retreated Y50 to Y1,380. Suzuki declined Y14 to Y966.

Profit-taking pushed some shipbuilding issues down following Tuesday's advance. Ishikawajima-Harima Heavy Industries slipped Y4 to Y517, while Hitachi Zosen relinquished Y8 to Y575.

In Osaka, the OSE average ended 72.11 higher at 22,625.09 in volume of 21.2m shares.

Roundup

PROFIT-TAKING was much in evidence yesterday.

HONG KONG slipped back following record highs earlier this week. The Hang Seng index eased 55.42 to 7,093.88. Turnover fell to HK$5.2bn from Tuesday's HK$8.3bn.

Some analysts commented that the market was likely to consolidate after its recent rallies, while switching among major stocks and to second and third liners was also noted.

HSBC Holdings and Cheung Kong were sold down a respective 50 cents and 10 cents to HK$71.50 and HK$27.10. However, Jardine Matheson went against the trend, rising HK$1 to HK$56.50.

SINGAPORE was also easier, although the Straits Times Industrial index recovered from an intraday low of 1,866 to finish only a net 1.40 off at 1,876.61. Volume was estimated at 403.2m shares.

Fraser & Neave and Sembawang Shipyard receded 40 cents apiece to S$12.60 and S$12.40 respectively.

SEOUL, however, went higher for the third consecutive session, with securities houses giving good performances. Daewoo Securities moved forward Won300 to Won23,200 and Lucky Securities Won300 to Won20,200.

The composite stock index closed 2.15 firmer at 724.76 in turnover of Won759.6bn.

TAIWAN fell back as turnover shrank from T$23bn to T$18.5bn, its lowest level since February. The weighted index lost 48.85 at 4,446.54.

Activity was dampened by concern over investigations into alleged trading irregularities which are being investigated by the authorities.

MANILA lost ground for the second day running on a combination of disappointing economic data and a severe power shortage. The composite index declined 21.78 to 1,574.36 in turnover of 408.6m pesos.

KUALA LUMPUR was firmer, with activity concentrated in blue chips. The composite index rose 3.97 to 729.43 in turnover of M$1.7bn.

Sime Darby, however, fell 22 cents to M$4.88 in volume of 2.35m shares.

AUSTRALIA rose in line with an improvement in the gold price. The All Ordinaries index put on 4.7 at 1,682.6, with the gold shares index advancing 82.0 to 1,798.3, its highest level since March 1990. Turnover came to A$351m.

NEW ZEALAND was driven higher by Telecom, up 16 cents at NZ$2.95, as investors responded to Tuesday's annual results, which included an increase in the dividend. The NZSE-40 index gained 27.57 at 1,615.91 in turnover of NZ$67m.

Economic worries take their toll

Michael Morgan says European equity turnover fell back in April

The high levels of equity trading seen throughout Europe during the first three months of the year lost impetus in April as a raft of political and economic worries began to take their toll.

Turnover in the eight leading European markets fell by 25.3 per cent in April, reversing a 22.8 per cent March rise. April's decline reflected a fall in market indices, with the FT-A Europe index losing 1.9 per cent over the month.

Mr James Cornish of NatWest Securities says lower turnover was particularly noticeable in the second half of the month as investors took profits: "In contrast to March when turnover swelled on a flat market, selling in April seems to have led to prices falling and volumes declining, in the absence of ready buyers."

He adds that while turnover was also lower overall on Seaq International, the London screen-based dealing system for foreign shares, the fall was less pronounced than on domestic exchanges. Seaq turnover as a percentage of the domestic market rose to record levels for both French shares, at 53.1 per cent compared with 44.2 per cent in March, and German shares, 15.4 per cent after March's 11.5 per cent.

Mr Marcus Grubb of Salomon Brothers notes in his latest European equity strategy review that bourses had rallied strongly during the first three months, helped by strong US economic recovery and an appreciating dollar, and hopes of lower interest rates. At their peak in March and early April, the markets had risen by an average of 5 to 6 per cent since the start of the year and had outperformed bond markets.

Since late-March, however, deepening economic recession in continental Europe, a slower pace of recovery in the US, fears of intervention in Bosnia and turmoil in the Confederation of Independent States had all weighed heavily on European equities, offsetting the benefits of the Bundesbank's easing of monetary policy.

German domestic turnover saw the biggest fall of the month, 32.5 per cent from March's unusually high levels as worries about the economy grew. Spain came a close second, down 30.1 per cent as investors became uneasy about the peseta's outlook, and elections on June 6 which could produce a hung parliament.

French turnover dipped by 26.2 per cent as bourse indices fell on concern about the new budget, while Switzerland contracted by 25.9 per cent as the market underperformed on the weak dollar and impatience over the delay in bringing down Swiss interest rates.

Italy eased 0.8 per cent from March's four-year record. The market index rose 10.8 per cent as the political climate looked brighter and investors refused to be put off by the ever-widening corruption scandal.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jan 1993	Feb 1993	Mar 1993	Apr 1993	US $bn
Belgium	62.75	57.35	70.30	58.18	1.78
France	106.66	127.98	159.17	117.45	21.95
Germany	91.67	133.88	168.06	113.50	71.47
Italy	25,143.20	28,045.20	31,337.60	31,098.40	20.84
Netherlands	14.60	16.80	21.80	16.80	9.41
Spain	653.20	664.91	856.96	598.87	5.13
Switzerland	22.30	17.60	18.90	14.00	9.76
UK	42.86	43.58	51.82	38.79	60.92

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 18 1993								MONDAY MAY 17 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	132.75	-2.1	128.52	93.61	112.09	127.72	-0.5	3.87	135.64	131.18	95.56	113.96	128.34	144.19	117.39	150.82
Austria (18)	143.42	-0.5	138.84	101.13	121.09	121.05	+0.6	1.69	144.10	139.36	101.52	121.07	120.35	150.98	131.16	172.10
Belgium (42)	146.46	-0.5	141.78	103.26	123.65	120.45	+0.1	4.70	147.16	142.32	103.66	123.63	120.30	156.76	131.19	146.19
Canada (109)	127.62	+0.9	123.55	89.99	107.75	117.64	+0.7	2.81	126.47	122.31	89.09	106.24	116.81	127.86	111.41	127.61
Denmark (33)	217.44	-1.5	210.49	153.32	183.59	184.69	-0.9	1.22	220.75	213.49	155.52	185.46	186.30	225.64	185.11	241.43
Finland (23)	93.98	+2.8	90.97	66.27	79.35	109.46	+2.5	1.12	91.44	88.43	64.42	76.82	106.74	100.43	65.50	80.23
France (98)	151.58	-0.1	146.74	106.88	127.97	130.30	+0.6	3.45	151.74	146.75	106.89	127.47	129.48	167.36	142.72	167.13
Germany (62)	110.82	-0.4	107.28	78.15	93.56	93.56	+0.1	2.26	111.25	107.59	78.38	93.46	93.46	117.10	101.59	123.78
Hong Kong (55)	289.45	+0.3	280.21	204.10	244.40	287.21	+0.3	3.21	288.54	279.05	203.27	242.43	286.36	289.45	218.82	234.79
Ireland (15)	159.42	-1.2	154.33	112.42	134.60	149.66	-0.5	3.54	161.39	156.08	113.70	135.59	150.40	170.40	129.28	163.45
Italy (73)	70.65	+1.7	68.40	49.82	59.65	77.93	+1.6	2.52	69.47	67.19	48.94	58.37	76.71	70.65	53.78	69.52
Japan (470)	140.94	-1.5	136.44	99.38	119.01	99.38	-1.4	0.84	143.06	138.35	100.78	120.20	100.78	146.85	100.75	106.04
Malaysia (69)	335.64	+0.9	324.92	236.66	283.38	332.02	+1.0	2.09	332.53	321.59	234.26	279.37	328.81	335.64	251.66	236.96
Mexico (18)	1503.71	+1.8	1455.68	1060.30	1269.60	5134.44	+1.6	1.32	1477.55	1428.97	1040.93	1241.37	5052.41	1725.81	1410.30	1592.63
Netherland (24)	164.89	-0.5	159.62	116.27	139.22	137.01	+0.0	4.04	165.79	160.34	116.80	139.29	137.03	172.75	150.39	159.81
New Zealand (13)	46.89	-1.2	45.40	33.07	39.59	46.41	+0.0	4.74	47.44	45.88	33.42	39.86	46.41	49.32	40.56	46.91
Norway (22)	159.20	-0.3	154.12	112.26	134.42	148.72	+0.3	1.77	159.65	154.40	112.48	134.14	148.33	166.21	137.71	191.00
Singapore (38)	254.12	+2.1	246.01	179.19	214.56	189.30	+2.3	1.80	248.91	240.73	175.36	209.12	185.13	254.12	207.04	216.62
South Africa (60)	188.65	-1.3	182.63	133.02	159.28	193.80	-0.8	2.60	191.20	184.91	134.69	160.63	195.37	191.83	144.72	248.93
Spain (46)	129.94	+0.9	125.79	91.63	109.71	121.82	+1.5	4.89	128.80	124.57	90.74	108.21	120.07	132.82	115.23	160.71
Sweden (36)	177.13	-0.5	171.47	124.90	149.56	193.26	-0.3	1.75	178.10	172.24	125.47	149.63	193.85	178.35	149.70	199.93
Switzerland (55)	121.75	+0.5	117.86	85.85	102.81	111.63	+1.1	1.95	121.20	117.21	85.39	101.84	110.45	123.58	108.91	106.81
United Kingdom (218)	176.97	-0.4	171.32	124.77	149.41	171.32	-0.3	4.02	177.73	171.88	125.20	149.31	171.88	181.99	162.00	200.07
USA (519)	179.94	+0.0	174.19	126.88	151.93	179.94	+0.0	2.84	179.91	173.99	126.75	151.16	179.91	186.27	175.38	169.74
Europe (765)	144.46	-0.2	139.85	101.86	121.97	132.62	+0.2	3.36	144.70	139.94	101.94	121.57	132.39	149.02	133.92	158.64
Nordic (114)	166.36	-0.4	161.05	117.31	140.46	160.14	-0.1	1.56	167.06	161.56	117.69	140.36	160.32	169.44	142.13	184.36
Pacific Basin (713)	145.16	-1.3	140.52	102.36	122.56	105.89	-1.2	1.12	147.12	142.28	103.65	123.60	107.16	150.03	105.89	111.78
Euro-Pacific (1478)	144.75	-0.9	140.13	102.06	122.21	117.28	-0.6	2.03	146.01	141.21	102.85	122.66	118.02	148.94	117.26	129.95
North America (628)	176.67	+0.1	171.03	124.59	149.19	175.69	+0.0	2.84	176.57	170.77	124.41	148.37	175.61	182.38	171.51	167.10
Europe Ex. UK (547)	124.44	+0.0	120.47	87.77	105.09	110.86	+0.5	2.91	124.42	120.33	87.67	104.56	110.28	128.65	112.51	130.92
Pacific Ex. Japan (243)	186.84	-0.3	180.87	131.77	157.77	171.58	+0.3	3.16	187.31	181.15	131.96	157.39	171.05	187.31	152.70	168.40
World Ex. US (1665)	145.44	-0.8	140.80	102.56	122.80	119.37	-0.6	2.06	146.61	141.78	103.29	123.18	120.07	149.39	118.51	132.12
World Ex. UK (1966)	154.01	-0.5	149.09	108.60	130.04	134.75	-0.4	2.18	154.77	149.68	109.04	130.04	135.23	157.19	134.22	138.51
World Ex. So. Af. (2124)	155.91	-0.5	150.93	109.95	131.65	137.61	-0.3	2.36	156.66	151.50	110.37	131.63	138.09	158.98	137.29	143.12
World Ex. Japan (1714)	165.81	+0.0	160.51	116.93	140.02	159.80	+0.1	3.02	165.88	160.43	116.87	139.39	159.43	168.09	157.47	165.06
The World Index (2184)	156.03	-0.5	151.04	110.02	131.75	138.10	-0.4	2.36	156.79	151.63	110.46	131.73	138.58	159.07	137.32	143.81

Latest prices were unavailable for this edition. New Zealand prices were unavailable 18/5.